EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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FAMINE
Ethiopia teeters on the brink again
Page 6

World News

Eight killed as S African police fire on protestors

Eight people were killed and 300 hundred injured when South African police opened fire on black anti-apartheid protesters staging an illegal march at Sebokeng township, south of Johannesburg, hospital staff said.

Thousands of residents had taken to the streets to protest against high rents and racially segregated council facilities. Page 6

East German quits
Mr Ibrahim Böhme, chairman of the East German Social Democrats, stepped down following allegations that he had collaborated with the secret police. Page 22

Hungarian poll lead
Conservative Hungarian Democratic Forum moved closer towards government when, with almost 60 per cent of the votes counted, it opened a lead over the liberal Alliance of Free Democrats. Page 2

Journalist detained
Sudanese authorities detained a Reuters correspondent in Khartoum, diplomatic sources said. Sudanese officials have not confirmed the report.

Deadline for border
Czechoslovakia will dismantle its 700km 'Iron Curtain' border with West Germany and Austria by June, the state news agency said.

Hawke poll lead
Australian Prime Minister Bob Hawke's Labor party was forecast to win a parliamentary majority of at least two seats in a cliffhanger election.

Kosovo man quits
A regional interior minister resigned in Yugoslavia's troubled Kosovo province, where the republic of Serbia has taken control of security after a mass poison scare. Page 3

NY arson charge
An unemployed Cuban, thrown out of an illegal New York club, went to a garage for fuel and returned to set the building on fire, killing 87 people at a dance, police said. He has been charged with arson and 87 counts of murder.

Recruit sentencing
Senior Japanese civil servant was found guilty of bribery and given a one-year suspended jail sentence in connection with the Recruit scandal. Page 6

Gandhi loses
Rajiv Gandhi's Congress party suffered further setbacks when it lost control of two more Indian states in which it formed governments. Page 6

Tibet cash appeal
Tibetan Communist Party officials have urged the central government to pour money into the border and minority regions to try and halt growing ethnic unrest. Page 6

Pakistan rioting
Gunfire sparked fresh rioting in Hyderabad, southern Pakistan, killing five and wounding 19, police said.

Bonn charges spies
Three men and a woman have been arrested in West Germany on suspicion of spying for the East Germans, the federal prosecutor said. The four unnamed people had continued spying until they were arrested last week, he said.

Border dispute
Greece accused Turkey of attempting to alter their joint border by connecting an island in the Evros river in Thrace to the Turkish mainland.

Silent days
Big Ben's hourly bell, one of Britain's best known sounds, resounded over central London at 8am for the last time for up to three months. The mechanism is being repaired.

Business Summary

Banks to sell credit card processing operation

SIGNET, Europe's largest credit card processing operation, is being put up for sale by its owners, National Westminster Bank, Midland, Lloyds and Royal Bank of Scotland.

Among possible buyers are two US credit card processing companies – First Data Resources, owned by American Express, and Electronic Data Services of Dallas – and GZS, German credit card-bank consortium. Page 22

NIKKEI average rose 1,468.33, or 4.8 per cent, to 31,840.49 yesterday – its second largest one-day gain – with a strong recovery in share buying interest in Japan. World stock markets, Page 50

SOVIET ECONOMY: strikes, absenteeism and ethnic troubles caused the loss of more than 9.1m working days in January and February. An average 200,000 people a day failed to turn up for work during the two months. Page 3

STERLING'S rapid entry into the exchange rate mechanism of the EMS was needed to protect the "exposed flank" of the Government's anti-inflationary policy, Nigel Lawson, former UK Chancellor, said. Page 8

BAYER, West German chemicals group, suffered a fall in pre-tax profits in the last quarter of 1989, while still showing record pre-tax profits for the year of DM4.1bn (£1.48bn), a rise of 8.7 per cent. Page 24

GOODMAN Fielder Wattie, Australasian food giant, saw interim after-tax profits slashed by 71 per cent due to a A$30m (£14m) abnormal loss arising from an abortive takeover move. Page 26

GILLETTE, US shaving products group, said it had struck an agreement with the US Justice Department which would enable it to buy most of the non-European businesses of Wilkinson Sword. Page 24

BERNARD Krief Consultants, Paris-based public relations group, has launched what appears to be a rival £75m ($120m) bid for Hay Group, being sold by Saatchi & Saatchi, troubled British-based advertising agency. Page 23

SAINT-GOBAIN, French building materials group, is paying more than FFr100m ($17.4m) to gain the knowhow and commercial activities of CemFil, UK group Pilkington's alkali-resistant glass fibre. Page 24

GROUPE Rossignol, world's largest ski maker, expects a net loss of between FFr10m ($1.74m) and FFr15m for the year to March 31. Page 23

AVON Products, world's biggest maker of cosmetics, has settled a pending proxy fight with Chartwell Associates, a partnership which includes the wealthy Getty and Fisher families. Page 25

ITALTEL, Italian public-sector telecommunications equipment maker, increased net group earnings by 15 per cent to L112bn ($89m) last year from L97bn in 1988, thanks partly to a 27 per cent jump in sales to L2,150bn. Page 24

SOUTH KOREA is poised to postpone controversial financial reforms as part of new economic measures. Page 6

BROWN & JACKSON, UK discount retailer and alarms group, announced a sharp rise in profits, a £31.4m ($49.6m) fund raising and the purchase of some shops from Lowndes Queensway. Page 22

BRAZIL'S car industry has virtually stopped making cars for the domestic market as sales grind to a halt. Page 4

BRITISH Aerospace's attempt to use the former Brooklands motor racing track near Weybridge, Surrey, for a property development jumped a legal hurdle when the High Court overruled local authority objections. Page 8

Kohl says Thatcher misquoted him on border dispute


Margaret Thatcher: aggressive

ATTEMPTS to patch up recent quarrels between Mrs Margaret Thatcher, Britain's Prime Minister, and Mr Helmut Kohl, the West German Chancellor, over the pace of German unity, were damaged yesterday by an unusually public dispute in which Mr Kohl accused Mrs Thatcher of misquoting him, write David Goodhart in Bonn and Ralph Atkins in London. The two leaders are scheduled to meet in London on Thursday.

Mr Kohl insisted yesterday that he had never said "either in word or in meaning" that he did not wish to recognise Germany's existing border with Poland. He was responding to a statement from Mrs Thatcher, in an interview with the West German news magazine Der Spiegel, in which she said: "I heard Helmut say: 'No, I make no guarantees, I do not recognise the current border.' I heard it myself in Strasbourg after dinner."

Despite Mr Kohl's denial, Downing Street said last night that as far as it was aware Der Spiegel had reported accurately what Mrs Thatcher had said. Downing Street added that it was not going to "react to reaction" from Mr Kohl's office.

In an interview in Monday's edition of the news weekly Der Spiegel, Mrs Thatcher says Europe cannot delay German unification.

Although the general tone of the Der Spiegel interview was conciliatory towards Mr Kohl, Mrs Thatcher was at her most aggressive on the question of the Polish border.

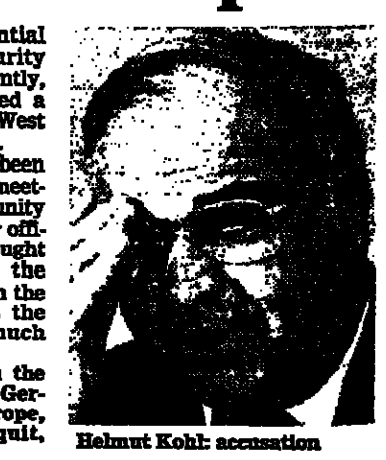
She also said, referring to the Warsaw Treaty of 1970: "You know what has happened to previous (border) guarantees; they have been thrown out by the German courts."

Mr Kohl responded by saying that current criticism of former decisions of the highest court of a democratic country was "unusual and unjustified."

The notoriously poor "chemistry" between the two leaders, compounded by substantial disagreements over security questions and, most recently, German unity, has caused a marked cooling in Anglo-West German relations recently.

However diplomats had been hoping that this week's meeting would be an opportunity for a new start. One senior official said yesterday: "I thought several weeks ago that the field was very sticky but in the last two or three weeks the atmosphere has been much better."

Joining forces to take on the world, Page 2; Binding Germany into a united Europe, Page 20; SPD leaders quit, Page 22


Helmut Kohl: accusation

ABN-Amro merger plans take banking world by surprise

By Laura Raun in Amsterdam

ALGEMENE Bank Nederland (ABN) and Amsterdam-Rotterdam Bank (Amro), the two biggest commercial banks in the Netherlands, announced merger plans yesterday, catching the banking world and the Dutch stock market by surprise.

The merger, biggest in Dutch corporate history, will create Europe's sixth-largest bank and the 19th biggest in the world.

Share trading in both banks was suspended yesterday and will resume today. The two banks have a combined market value of Fl 10.4bn ($5.4bn).

The Dutch arch-rivals aim to combine their strong positions in their common home market to provide a solid base for rapid joint expansion abroad. The two banks said yesterday they hoped to accomplish the merger within months.

"A merger is necessary to achieve what we want," said Mr Roelof Nelissen, chairman of Amro, at a hastily convened news conference. "Not a form of co-operation but real integration into one new bank is what we are aiming for. An ad hoc co-operation is not the answer to the challenges if we really want to operate worldwide and in the Netherlands."

Last September, Amro sharply scaled down its strategic alliance with Générale de Banque of Belgium because the planned full merger foundered on legal, fiscal and cultural differences between the two.

ABN, for its part, had declared itself ready to brave it alone at home and abroad in the run-up to the EC internal market reforms of 1992.

The clearest difference between yesterday's engagement announcement and that of Amro and Générale in February 1988 was the sense of urgency and unity yesterday.

Noticeably absent was the partners' stress on maintaining their individual identities and operating independence that hobbled the Amro-Générale Bank alliance from the start.

Combined, Amro and ABN would have a balance sheet total of about Fl 358bn ($184bn), 55,700 employees, 1,473 branches in the Netherlands and 375 abroad.

The unnamed new institution would focus on retail and corporate banking at home and trade finance, capital markets operations and private banking abroad, explained Mr Nelissen and Mr Robert Hazelhoff, ABN chairman. Expansion in the US, where ABN has acquired several financial institutions in recent years, is [illegible].

Top priorities are expected to include better profitability. Dutch banks lag behind many in this area. Consolidation of the massive Dutch branch network is likely although neither bank chairman would predict job losses.

They intend to achieve economies of scale, particularly in electronic banking and payments processing. Dutch trade unions, already locked in heated negotiations with the banking industry, yesterday expressed concern about potential redundancies.

Overall strategic policies and priorities will be hammered out in joint working groups over coming months, explained Mr Hazelhoff and Mr Nelissen.

The similar-sized banks still must decide exactly how to execute the merger although an outright takeover of one by the other is ruled out, Mr Nelissen said.

They could simply combine their entities as is done in France; create a holding company that would swap new shares for old ones as is more customary in the Netherlands; or transfer assets from one to the other.

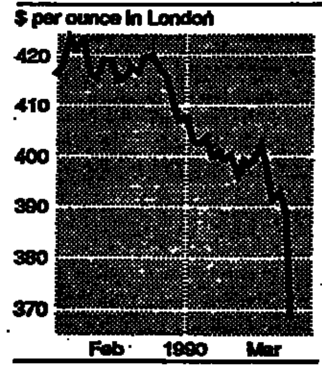
The two chairmen predicted that the banks' similar corporate cultures would ease the melding of their managements although no chairman has yet been named.

ABN and Amro are both the products of mergers in the mid-1960s. They differ in character despite similar consensus-style managements. ABN is more conservative while Amro has aggressively built up expertise in merchant banking.

The Dutch Finance Ministry and central bank yesterday both gave their blessing to the plans, which should boost Amsterdam's aspirations to be an international financial centre. The two chairmen predicted that the European Commission would have no objections.

Lex, Page 22

Gold price
$ per ounce in London



Sterling boosted by gold sale rumours

By Our Financial and Commodities Staff

RUMOURS of a large Middle Eastern sale of gold for sterling helped to give the pound a strong boost yesterday and sent gold prices tumbling.

The sterling purchases, estimated at £500m ($800m), were linked by one dealer to National Commercial Bank of Saudi Arabia, although the bank's office in London would neither confirm nor deny this. Other rumours placed the source of the order in the United Arab Emirates.

The pound gained against all main currencies, closing up more than two pfennigs at DM2.7675. The sterling index closed at 86.8, having opened at 86.2. It closed at 86.1 on Friday.

The gold price dropped by more than $20 to $368 a troy ounce on the London bullion market yesterday – in what one shell-shocked broker described as "a massive move on one day by any standards."

The amount sold – possibly

Continued on Page 22
Markets, Section 2.

'Intimidation' of Lithuania is attacked by US

By Quentin Peel in Vilnius and Lionel Barber in Washington

THE White House yesterday issued the first explicit warning that US-Soviet relations could be damaged by "further actions" by Moscow in Lithuania.

Mr Marlin Fitzwater, President Bush's press secretary, said the crisis in Lithuania was escalating daily and he accused the Soviets of waging "a general pattern of intimidation" against the Baltic republic.

Meanwhile, the Lithuanian Government said yesterday that top-level talks would soon open in Moscow on the republic's demand for independence, in spite of continuing military pressure to force the Lithuanian leadership to back down.

Soviet military helicopters dropped leaflets yesterday on the city of Vilnius, denouncing the Lithuanian leadership – which was elected with an overwhelming majority in recent elections – for "taking power by force." They called for a mass anti-independence rally today.

It was the latest and clearest example of overt military assistance to minority groups in the republic still loyal to Moscow, following the use of armed soldiers at the weekend to seize and secure several Communist Party buildings.

Responding to the troops' seizure of the buildings, Mr Fitzwater said: "Further actions will not lead to a lessening of tensions and could have adverse international repercussions and could be counterproductive to US-Soviet relationships."

The White House noted that the Soviet Union had given several high-level assurances that it would not use force against the Lithuanian Government. But US officials appear frustrated that the private assurances do not square with the public strong-arm tactics in Lithuania.

The White House is also sensitive to conservative press criticism. Yesterday, Evans and Novak, syndicated columnists, wrote that:

"The risk is that Bush's long silence may have persuaded Mikhail Gorbachev that he will close his eyes to almost any strong-arm tactics in order to preserve the US-Soviet love-in. Bush seeks above all to guard against disrupting progress in arms control and other major items on the east-west agenda."

Despite, the tougher US language on Lithuania, Mr Fitzwater said he still expected the superpower summit planned for late June to go ahead. There were no plans to cancel next week's preparatory meeting in Washington between Mr Baker and Mr Shevardnadze.

The Russian-language leaflets dropped on Vilnius yesterday were unsigned but almost certainly published by Yedinstvo (Unity), a strongly anti-independence movement. The leaflets called for a demonstration outside the Parliament building, where the "restoration of the Lithuanian state" was declared on March 11.

In spite of the political involvement of the military, however, leaders of the Lithuania's Sajudis independence

Continued on Page 22
Letters, Page 21

UK orders long-term insurance company to cease new business

By Patrick Cockburn in London

THE MAIN insurance subsidiary of London United Investments, the largest underwriter of liability business in the London market, was yesterday ordered by Britain's Department of Trade and Industry to stop taking on new business because of lack of reserves to meet claims.

The order to Walbrook Insurance Company, LUI's principal insurance subsidiary, is the most serious shock to the UK insurance market since the collapse of Vehicle and General in 1971.

LUI asked London's International Stock Exchange to suspend dealings in its shares in view of uncertainties about its financial position.

LUI, as the owner of Walbrook and the underwriting agency H.S. Weavers, is the main provider of so-called long-tail casualty insurance from the US in the London market. This involves providing cover for claims which take a long period to come through, such as pollution and asbestosis. Insurance brokers say that they see no alternative company willing to do this type of business.

The DTI ruling came after a report last week by Tillinghast, the consulting actuaries, showed that additional reserves were needed for six subsidiaries of Walbrook facing substantial claims in the US.

Mr Peter Wilson, chief executive of LUI, said that the degree of insolvency was still to be established. He said: "On preliminary figures we have looked at, even if Walbrook took a hit, we would still be solvent."

He said there had been an across-the-board increase in the number and cost of claims on the companies which have many policies covering pollution and asbestosis in the US.

Walbrook itself will continue to pay claims. However, six insurance companies belonging to LUI, none of which have written any new business since 1987, have suspended payment of claims pending a final report from Tillinghast which is expected on Thursday.

Weavers, LUI's underwriting agent, which did business involving gross premiums of £370m ($592m) in 1988, is not directly affected by the DTI's order to Walbrook to stop underwriting. To continue underwriting, however, Weavers would need the agreement of a US property/casualty insurer Anglo-American Insurance of New York, which had previously underwritten 45 per cent of its business. Walbrook had underwritten the remaining 55 per cent.

Weavers was understood still to be handling claims but not taking new business.

The announcement yesterday that LUI was in serious trouble was not a surprise. The company was known to face serious claims as a result of losses originating from asbestos and pollution and doubts about its reserves cut its share price from 340p two years ago to 30p at the time it was suspended.

With outstanding claims believed to total about £700m even a small miscalculation

Continued on Page 22
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Time for the US and Britain to take a new look at Unesco

Since the US and Britain withdrew from Unesco, Mr Federico Mayor, the Director-General, has fashioned a communications programme that avoids the censorship some western countries had feared
Page 21

MARKETS

STERLING
New York lunchtime:
$1.615
London:
$1.715 (1.6045)
DM2.7675 (2.745)
FFr9.3175 (9.245)
SFr2.4675 (2.436)
Y252.25 (246.75)
£ index 86.8 (86.1)
GOLD
New York: Comex Apr
$370.1
London:
$368.0 (369.25)
N SEA OIL (Argus)
Brent 15-day May
$18.475 (18.3)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime:
DM1.7107
FFr5.754
SFr1.5253
Y158.465
London:
DM1.715 (1.7105)
FFr5.7725 (5.7625)
SFr1.529 (1.5175)
Y158.35 (153.85)
$ index 69.0 (68.8)
Tokyo close: Y156.40
US lunchtime rates
Fed Funds rates
3-mo Treasury Bills:
yield: 8.092%
Long Bond:
$100\frac{1}{2}$
yield: 8.441%

STOCK INDICES
FT-SE 100:
2,298.2 (+14.3)
FT Ordinary:
1,813.5 (+17.4)
FT-A All-Share:
1,134.34 (+0.5%)
New York lunchtime:
DJ Ind. Av.
2,725.0 (+20.72)
S&P Comp
339.55 (+2.33)
Tokyo: Nikkei
31,840.49 (+1,468.33)
LONDON MONEY
3-month interbank:
closing $15\frac{1}{4}$ ($15\frac{7}{16}$)
Liffe long gilt future:
Jun $81\frac{11}{32}$ ($80\frac{5}{8}$)

Prague squeezes spending on defence and subsidies

By Leslie Colitt in Prague

THE CZECHOSLOVAK Government will today propose to slash spending on defence and security and cut subsidies to industry and agriculture in the first budget since the overthrow of the Communist regime last November.

Mr Vaclav Klaus, the Finance Minister, will submit a sharply deflationary budget to the federal assembly which is designed to force factories, farms and offices to reduce costs and cut jobs.

He also aims to raise highly subsidised food prices before the first free elections on June 8. But any such step is expected to arouse strong objections from his chief rival, Mr Valter Komarek, the First Deputy Prime Minister in charge of the economic reforms.

Spending on the armed forces and internal security is to be cut by 12.5 per cent while subsidies to industry, agriculture and food processing will be lowered by 10.7 per cent. However, in a gesture to growing public fears of impending price rises and mass unemployment, health care, social welfare, housing and education have been exempted from cuts.

Expenditure is to be reduced by a relatively modest 3.6 per cent for the sprawling state administration and by only 2.4 per cent for culture. One official joked that no-one wished to tangle with President Vaclav Havel.

"The budget will create a deflationary environment and favourable conditions for a market economy," Mr Jan Tauber, a Finance Ministry adviser, said. It had been approved by the International Monetary Fund which Czechoslovakia has applied to join.

But Mr Tauber warned starkly that "outside shocks" from Comecon could hit the economy in coming months. Supplies of oil and raw materials from the Soviet Union were increasingly uncertain as Moscow was under growing pressure to sell for dollars.

The imminent currency and economic union between East and West Germany represented another threat. East Germany is Czechoslovakia's second largest trading partner after the Soviet Union and, virtually overnight, will become part of the hard currency trading area. Neighbouring Poland and Hungary, two other important Czechoslovak trading partners, were also likely to import fewer industrial products from Czechoslovakia.

"All this could lead to an enormous crisis. We could get a situation like the 1930s," when trade dried up, Mr Tauber said. No-one in the Government was prepared for a situation in which East Germans, flush with D-Marks and confronted with higher prices in their shops, and Poles with a nearly "hard" zloty, would cross into Czechoslovakia in droves to buy up subsidised food and consumer products.

In a portent of more to come, Czechoslovakia last week banned food, alcohol and other consumer goods from being taken out of the country. Tourist shoppers from Hungary and Austria had bought up huge quantities of cheap food, beer and liquor in border areas, leaving behind bare shelves and anguished citizens.

Brittan proposal on US mergers

By Lucy Kellaway in Brussels

THE European Community and the US should set up a formal process for resolving disputes on competition policy arising between them, Sir Leon Brittan, EC Competition Commissioner, said yesterday.

Such a process could involve either a treaty or a more flexible system involving an exchange of information between the two sides, he said.

The danger of clashes between the two blocs has grown following the adoption by the EC of stronger competition rules of its own.

In particular, the new regulation on mergers, which comes into force in September, raises the possibility of the EC coming up with a different verdict on a merger of two multinational companies than that reached by the US anti-trust regulators.

Sir Leon warned that such conflicts of jurisdiction could result in "an unseemly and damaging dispute", and noted that no means exist for solving such disagreements.

One way of resolving the problem would be through a formal arbitration procedure, he said, but added that the political difficulties of creating such a system would be great.

Sir Leon, who was addressing the EC Chamber of Commerce in New York, said that both sides had much to gain from working together in the anti-trust field.

Jozsef Antall (left) acknowledges Democratic Forum's lead. But Free Democrats' Janos Kis is still optimistic.

Conservatives open lead in Hungarian poll

By Judy Dempsey and Nicholas Denton in Budapest

THE CONSERVATIVE Hungarian Democratic Forum last night moved closer towards government when, with almost 60 per cent of the votes counted, the party opened a crucial lead over the liberal Alliance of Free Democrats.

Official results for the first round, in which about a third of the 386 parliamentary seats were decided, gave the Forum 24.7 per cent of the votes, 4 per cent more than the Free Democrats. The remaining seats will be decided on April 8.

Mr Jozsef Antall, Democratic Forum's leader, said yesterday with customary reticence that his party "could qualify as the winner of the election ... It will be virtually impossible to make the governing coalition without us."

But Mr Peter Tolgyessy, the Free Democrats' candidate for Prime Minister, stressed that the Forum's lead in seats was minimal and could be easily eroded in the second round.

None the less, the Forum's small advance gives it a legitimacy which enhances its chances of securing an electoral deal for the second round from the independent Smallholders Party, which polled a lower than expected 12.9 per cent of the counted votes, and from the conservative Christian Democratic Peoples' Party which gained a surprising 6.5 per cent.

The vote of the Hungarian Socialist (former Communist) Party, which yesterday was edging into fourth place, is likely to be shared between the two largest opposition parties in the next round. Much of the support from Fidesz, the radical youth movement, now in fifth place, will go to the Free Democrats.

The biggest upset for the Free Democrats was in its traditional home, Budapest, where the Forum made spectacular inroads. By yesterday evening, contrary to predictions that the Forum would be wiped out in the capital, it was the Free Democrats who were fighting back. They lagged one point behind the Forum's 28.7 per cent early in the count.

The Free Democrats consolidated their grip west of the capital, while the Forum tightened its hold in eastern Hungary, trends which clearly reflect an historical, economic and political east-west divide.

Both parties welcomed the new bipolarity of Hungarian politics but they may be forced together if a coalition with the smaller parties proves impossible or too unstable.

Sweden to ease conditions for foreign banks

By Robert Taylor in Stockholm

THE Swedish Government yesterday proposed measures to allow foreign banks and other credit institutions to operate more freely in the country.

Under the new law, put to parliament yesterday and due to come into force on July 1, Swedish banks and financial bodies will be able to decide for themselves what limits there should be on foreign ownership.

The long-awaited changes are designed to bring Sweden more into line with the European Community's new internal market.

Yesterday's proposals will also enable foreign banks to open up branches in Sweden, which the Ministry of Finance says ought eventually to stimulate competition in the Swedish credit market.

Bonn says it will block Allianz venture in East

MR Helmut Haussmann, the West German Economics Minister, said yesterday he opposed the plan for Allianz, the leading insurance group, to take a stake in Deutsche Versicherung, a joint venture with the state-owned East German insurance company, Reuter reports from Bonn.

He said he had asked Mr Kurt Wünsche, East German Justice Minister, not to permit the purchase of the stake and that he had talked about the issue with the management of Allianzlast week and would consult other representatives of the insurance industry this week.

Mr Haussmann said he wanted to prevent monopolies from being formed just as a market economy began developing in East Germany. This was a test case for the inter-German competition policy which is in the process of being negotiated, he said. A joint working committee on competition rules will meet for the first time on Thursday.

● Deutsche Bank, West Germany's largest commercial bank, is moving into several offices occupied by the Staatsbank, the East German central bank, to reforge pre-war banking ties broken with the demise of the Third Reich, David Marsh writes from Bonn.

Underlining Deutsche Bank's ambitions to play a leading role in East Germany, the bank is also training 100 Staatsbank staff to teach the East Germans modern banking practice.

Deutsche Bank has already moved into some rooms in the Staatsbank's office building in Leipzig, which belonged to the Deutsche Bank before 1945.

Deutsche's co-operation with the central bank has been agreed with Mr Horst Kaminsky, the Staatsbank president.

Two Germanys join forces to take on the world

By Andrew Fisher in Dresden

SOCCER'S stars of yesterday made sporting history last night when a joint team from the two Germanys took to the field in Dresden against a world selection from Brazil, England, Argentina and other top footballing nations.

The gala event, attended by Chancellor Helmut Kohl, was organised by Bild, the aggressive tabloid daily which has taken up the unification theme with a zest that verges on the shrill.

The joint German team would have been unthinkable before East Germany opened its border last November.

The match, which the world team won 3-1, was to raise money for the rebuilding of Dresden's castle, badly damaged by allied bombing in the Second World War.

More than DM1m (£362,000), a fraction of the estimated renovation costs, was expected to be raised from ticket sales and sponsorship – also new to East German sport – to return Dresden, once known as the Florence of the River Elbe, to its former beauty.

Heading the all-German effort was Franz Beckenbauer, captain of the West German team which won the World Cup against the Netherlands in 1974. Among his opponents last night was Bobby Moore, leader of the English team which won the cup from Germany in controversial and nail-biting fashion in 1966.

Bobby Charlton, also in the victorious England eleven of 24 years ago, was among the world players who turned out on Dresden's Dynamo pitch.

With live coverage by Sat 1, the independent television station, in the first joint East-West German transmission, and with sponsorship by Western companies including Mercedes-Benz, Mars, and Adidas, the match showed that capitalism and sport can mix in an East Germany once seen as a country of dour athletic over-achievers.

Each squad had around 20 players, with frequent changes to give all the veterans, some in their fifties, a chance on the field. The world team was graced by lithe South Americans, such as Ventura Jairzinho, a Brazilian World Cup medal winner in 1974, and Mario Kempes, a member of Argentina's championship team of four years later.

The German line-up also had its share of ageing talent. It included Uwe Seeler, captain of the West German side, which lost to England in 1966, and such glittering compatriots of "Kaiser Franz" Beckenbauer as Paul Breitner.

Showing how the Germanys used to strike fear into each other was Jürgen Sparwasser, scorer of the East German goal which defeated West Germany before the latter went through to win the World Cup in 1974. In those days, the players strove to win; yesterday, they were happy just to play. The final score was the least thing on their minds, or even on those of the 36,000 spectators.

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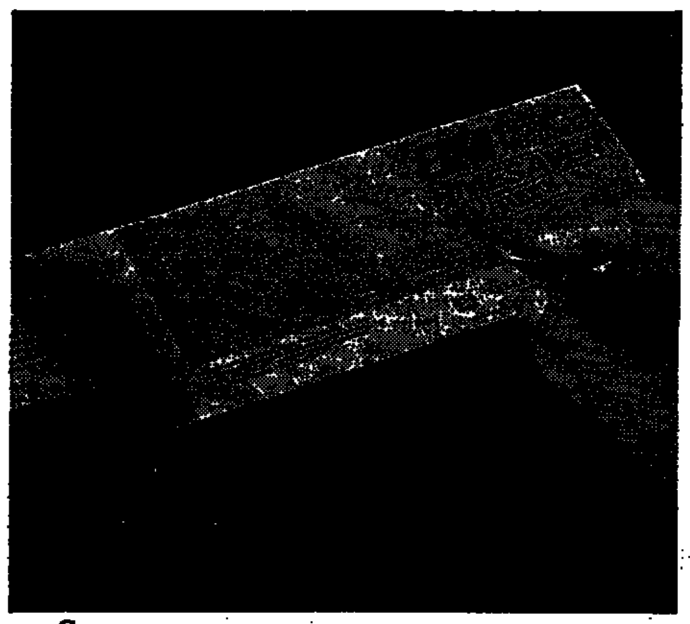

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New setbacks for Soviet Union's ailing economy

By Mark Nicholson in Moscow

STRIKES, absenteeism and ethnic troubles have hit the already ailing Soviet economy in the first two months of this year, according to official figures. More than 9.1m working days were lost in January and February alone to strikes and ethnic conflict, against 7.3m working days in the whole of 1989 – which was itself marked by paralysing strikes in the coal industry.

The official State Committee on Statistics calculates that gross national income for the two months accordingly fell by 1 per cent in the period. It says an average 200,000 people a day failed to turn up for work in the two months.

A substantial contributor to the appalling manpower figures have been long and crippling political strikes in the Transcaucasus, which were called in Azerbaijan and the disputed enclave of Nagorno-Karabakh after the flaring of ethnic violence in the region in mid-January. Stepanakert, the Nagorno-Karabakh capital, remains in the grip of a near general strike.

Strikes over economic grievances are also proliferating. The weekend press carried reports that 4,000 workers at a huge Urals gas industry complex were threatening to strike by April 1 in protest at being underpaid by the central authorities. Workers at a vital ball-bearing plant in Volgograd were also reported to be nearing a strike over a similar funding row.

The statistics committee also reported that average wages in the Soviet Union actually rose 15.5 per cent in January and February, more than double the planned 7.3 per cent.

Moreover, this rise was a fifth more than recorded spending on goods and services, indicating a further accumulation of unspent roubles in an economy with an estimated monetary overhang already worth at least Rbs165bn – or nearly 40 per cent of the liquid assets of the population.

Socialists lose majority in Spain

By Peter Bruce in Madrid

SPAIN'S governing Socialist Workers Party (PSOE), finally lost its overall parliamentary majority on Sunday when voters in the North African enclave of Melilla, forced to repeat the general election of last October 29, gave one Cortes and two Senate seats to the conservative Partido Popular.

The result overturns a Socialist victory in Melilla last October and means that Prime Minister Felipe Gonzalez has 175 seats in the Cortes, exactly half the parliament's 350 members. Mr Gonzalez has said he will submit his party to a vote of confidence but there is little chance of defeat because four deputies of the extremist Basque nationalist party, Herri Batasuna, have refused to take their seats in Madrid.

The election was important, however, as it may finally bring to an end the sense of drift that has permeated Spanish politics since October and Mr Gonzalez may reshuffle his cabinet after April 5.

The Labour Minister, Mr Manuel Chaves, is being pressed to run for the premiership of Andalucia in the summer. The veteran Foreign Minister, Mr Francisco Fernandez Ordonez, who said before the election he wanted to retire, may also go despite Mr Gonzalez's efforts to dissuade him.

Soothing plans are laid on charred Chiado

Restoration starts soon on Lisbon's fire-scarred historic centre, writes **Patrick Blum**

ON bright summer days, the narrow hilly streets of the Chiado, part of Lisbon's old town centre, provided a welcoming refuge from the heat, dust and traffic of the Portuguese capital. Smart boutiques, bookshops, cafes and tea and pastry shops were favourite haunts of tourists and locals. After 3pm the whole of the Baixa, the popular name for the lower town with the Chiado nesting on its periphery, buzzed with life.

The Baixa thrives, but most of the Chiado disappeared overnight in a fire on August 25 1988. Only rubble and the charred facades of 18 buildings, some 17th century, remained.

The rubble has been cleared, and the gutted buildings' eerie-looking facades have been propped up by scaffolding. A temporary metal ramp rising above the street gives pedestrians partial access to the area and to the remaining shops.

A hint of the Chiado's old charm survives, but it is a poor reflection of the past. Shoppers, and some shops, have moved elsewhere in the city, raising fears that the Chiado will never regain its former status.

But new and better life is about to return to the Chiado. A master plan to rebuild the area in its original style but with improved housing, sanitation and safety – the lack of fire precautions was a chief contributor to the extent of the fire – is more or less complete.

European Diary

Portugal

The plan was designed by Mr Alvaro Siza Vieira, a Portuguese architect whose work is about to be celebrated in an exhibition in Paris.

Appointed with uncharacteristic speed within weeks of the fire with overall responsibility for planning the area's reconstruction, Mr Siza Vieira wants to see more people living in the Chiado. Before the fire only six families – about 20 people – lived in the area. Mr Vieira wants to give a third of building space to housing, a third to shops and the rest to cafes, restaurants, cinemas, galleries and a large hotel.

Preventing more disfiguring wildcat development was the first step. 'We had to establish the relationship between the buildings and the people and between the Chiado and the areas around it'

When work is completed, in about three years, the Chiado will be more alive than it was before the fire when the streets were deserted after nightfall.

Negotiations between the town hall, the buildings' former owners, their tenants and the central government are still going on, but it is thought work will begin in the next couple of months.

Mr Jorge Sampaio, the Socialist Party leader and Mayor of Lisbon since December, believes bureaucratic and legal obstructions will soon be resolved. "The overall plan is done. There is a consensus about what has to be done. The main thing holding us back is access to the funds," he says.

Finance is available from the European Community, the United Nations Educational, Scientific and Cultural Organisation (Unesco), private donations, and central and local government.

Rebuilding a core area of 9,000 square metres is expected to cost Esc7bn (£29m). Another 4,000 square metres also need work, so the total will be much higher. The town hall has already has spent about Esc1bn to keep the facades of the buildings standing.

Preventing wildcat development of the sort that has disfigured other parts of Lisbon was the first step. "What we had to establish was the relationship between the buildings and the people and between the Chiado and the areas around it," Mr Siza Vieira says.

The model plan shows ramps, new access roads and passages and enlarged courtyards and walkways. What is surprising is that there are no large green spaces. But, says Mr Siza Vieira, these were neither in character nor necessary.

"There are other large open squares nearby, but the Chiado is different. The topography of the area gives the Chiado a special character with contrasts between dark and light areas."

More important was to make sure the Chiado remained integrated with neighbouring districts. "One of the dangers was to make the Chiado an isolated bright island," he says. This was the reason for extending renovation work to houses on the periphery of the fire.

The plan also allows for a metro station linking the Chiado with the rest of the city.

It is sad that the Chiado's restoration had to wait for a disaster before it could be undertaken, but that is not a problem only for the Chiado. Bureaucracy and vested interests have left the Lisbon waterfront in a state of chaotic neglect.

Mr Sampaio dreams of making Lisbon the Atlantic capital of Europe, but he faces third world problems when it comes to housing and sanitation. Some 50,000 new homes are needed, and 90,000 old homes must be rehabilitated or rebuilt.

Plans to make Lisbon the cultural capital of Europe in 1994 and hopes to host the 1998 World Exhibition should give an additional stimulus to modernising and restoring Portugal's capital. Mr Siza Vieira hopes his own efforts will provide further encouragement.

"What would make me really happy is if the end of work on the Chiado marks the begining of work on the Baixa, if what we do in the Chiado gives an impetus for the recuperation of (the whole of Lisbon's) historic centre."

Tass gets a bit too far ahead of the news

By Mark Nicholson

TASS, the Soviet news agency, claimed yesterday that confusion over weekend dispatches on the number of appointees made to a new presidential council was due to its reporting the news "too fast."

In separate reports on Saturday and Sunday Tass said that President Mikhail Gorbachev had named first 10 and then five more senior figures to the council, which is intended to replace the politburo as the country's top policy body. The council will also include Mr Nikolai Ryzkhov, the Prime Minister ex-officio.

Late on Sunday, however, Tass reported without explanation that Mr Gorbachev had in fact added only three more names to the 10 appointed on Saturday. These were Mr Vadim Bakatin, the Interior Minister, Mr Valeri Boldin, a senior Communist party central committee executive, and Mr Yuri Osipian, vice president of the Academy of Sciences.

Mr Yevgeni Primakov, a Supreme Soviet chairman, and Mr Grigory Revenko, the Kiev party chief, had apparently been mysteriously dropped from the earlier list.

Tass being the most authoritative Soviet source of such high-level information, the change caught some newspapers offside, and sent excited Kremlinologists haring for their files to amend earlier interpretations that Mr Gorbachev had hand-picked a largely supportive set of advisers.

The truth however, according to a Tass spokesman yesterday, lay in journalistic enthusiasm. "We were too fast in reporting the appointments. We received them from the Government and sent them out too early." Why Tass should have staggered the release of names in the first place does, though, remain a mystery.

The broken embargo is a small symptom of the greater competitive pressure Tass finds itself facing. New news agencies, notably the Interfax service of Radio Moscow, have increasingly provided fast and reliable indications of high-level personnel and policy moves, and, in the process, broken Tass's monopoly.

For the record, the presidential council so far comprises 16 people. In addition to those mentioned, they are: Mr Eduard Shevardnadze, the Foreign Minister; Mr Alexander Yakovlev, the central committee chairman; Mr Vladimir Kryuchkov, the KGB chairman; Mr Dimitri Yazov, the Defence Minister; Mr Yuri Maslyukov, the First Deputy Prime Minister; Mr Stanislav Shatalin, an economist; writers Mr Valentin Rasputin and Mr Chinghiz Aitmatov; and deputies Mr Albert Krans and Mr Veniamin Yarin.

Minister quits in Kosovo after mass poison scare

THE REGIONAL interior minister has resigned in Yugoslavia's Kosovo province, where the republic of Serbia has taken control of security after a mass poison scare, a Kosovo official said yesterday, Reuter reports from Pristina.

Mr Jusuf Karakashi handed in his resignation on Sunday, a day after Serbia, of which Kosovo is part, took direct control of the police. Ethnic Albanians had been running amok for two days after hundreds of their relatives were rushed to hospital complaining of a mystery illness.

At least one senior police officer has been suspended for allegedly co-operating with the ethnic Albanians who beat up about 100 of the minority Serbs and Montenegrins in Kosovo.

Doctors have found no evidence to support the ethnic Albanians' claims that they were victims of a mass poisoning, and the federal Government has accused them of stirring up unrest by faking the poison scare. Western doctors and international human rights groups have examined patients but do not yet have conclusive results.

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WORLD TRADE NEWS

Dominicans will benefit from Cuban cigar row

By Canute James in Kingston

THE Dominican Republic is to benefit from a row between Davidoff International of Switzerland, a distributor of quality cigars, and Cubatabaco, the Cuban state-owned tobacco monopoly. Davidoff has terminated an agreement under which its labels are used on Cuban cigars.

Government officials in the Dominican Republic say an agreement has been reached with Davidoff International which will allow the company's label to be affixed to hand-made Dominican cigars.

Shipments of the cigars will begin in about a month, and this will increase the Dominican Republic's dominant share of the US market. Dominican cigars with the Davidoff label will also be shipped to Amsterdam for distribution in Europe.

Davidoff's decision to terminate its arrangement with Cubatabaco follows four years of uneasy relations, with the Swiss company unhappy with Cuban attempts to sell directly on the European market rather than going through importers.

In informing Cubatabaco of its decision, Davidoff complained that the quality of the island's cigars had deteriorated below the standards which consumers wanted. The Cubans have denied that there has been a decline in quality, contending that its other clients continued to be happy with the product.

Cubatabaco had already halted supplies of their premium "Chateau" line to Davidoff, saying the Swiss company was charging too much. The company retaliated by reducing its sales of other Cuban cigars while the Cubans attempted direct sales of other labels at prices higher than those being asked by Davidoff.

The Swiss company complained that over 100,000 cigars supplied by Cubatabaco were unfit for sale and had to be destroyed, and just over 200,000 more were being stored because they were below the required quality.

In an apparent effort to resolve the disputes in its favour, Cubatabaco attempted a take-over of Davidoff. It failed, but its continuing effort to sell directly in Europe and bypass importing houses led last year to control of Knight Brothers, a British importer.

The termination of the arrangement with Davidoff is likely to increase the pace of Cuba's efforts to sell directly to Europe.

The island's desire to bypass importers and increase its earnings from cigars has been fuelled by the economy's need to earn more foreign exchange.

Cuba's tobacco production has fluctuated in recent years since crops were severely damaged by an outbreak of blue mould disease. Output at 45,000 tonnes in 1985 has declined steadily to 37,000 tonnes in the 1988-89 crop year.

Exports of hand-made cigars have averaged 80m per year, with just over a third going to Spain. The industry has also been hit by the US trade embargo on Cuba.

Wärtsilä dumping investigation settled

AN INVESTIGATION by the European Commission into alleged dumping of diesel boat engines in the EC by Finland's Wärtsilä has been called off following a price agreement between the two sides, writes Lucy Kellaway in Brussels.

The Commission found evidence of dumping by Wärtsilä which underwent a complete restructuring last year, when its heavily loss-making shipbuilding division had to be rescued. It said this involved the EC producers not just in losses, but threatened the continued existence of EC production.

The Commission argued that the the price agreement, which involves Wärtsilä in raising its export prices by an unspecified amount instead of facing dumping duties, was merited by the technological and social importance of the European industry.

US chipmakers seek '301' threat to Japan

Petition to Hills re-opens dispute over semiconductor trade, writes Louise Kehoe

EVEN as the US and Japan are poised to resolve their long festering trade dispute over supercomputers, another old wound is being re-opened by a trade complaint filed on behalf of US semiconductor producers.

The American chipmakers have asked the US Trade Representative, Mrs Carla Hills, to designate Japan's semiconductor trade practices as a priority trade problem to be addressed under the so-called "Super 301" provision of US trade law, which carries the threat of punitive sanctions.

Semiconductor producers thus join US rice growers and makers of vehicle parts in seeking to have their products put on the second Super 301 target list for Japan, which, under terms of the 1988 Trade Act, is due to be unveiled by the Administration at the end of April.

Mrs Hills has not yet indicated whether she will accept the petition. The precedent of last year, under which Japan, India and Brazil were cited for potentially "unfair" trade practices, suggests that a decision may not be made until the last minute.

Acceptance of the petition, however, would signal the start of negotiations with Japan to open its semiconductor market along the lines of those undertaken during the past year for supercomputers, satellites and wood products.

The US Semiconductor Industry Association (SIA), has charged in its petition that Japan is failing to live up to the terms of the 1986 US-Japanese semiconductor trade agreement, which promised foreign chip producers greater access to the Japanese market.

The Super 301 petition is the latest action in a decade-long dispute. It was accompanied by an alternative proposal from the US chipmakers for the immediate imposition of increased trade sanctions against Japan.

Critics charge the hard line taken by the US chip makers is unwarranted because it comes at a time when Japanese purchases of foreign-made chips are expanding more rapidly than ever. The foreign share of the Japanese market has jumped from 10.6 per cent to 12.9 per cent over the past year, up from 8.6 per cent when the trade agreement was signed in 1986. Numerous joint ventures and alliances between US and Japanese semiconductor companies formed over the past year promise to continue the trend.

The SIA action demonstrates the US industry belief, however, that Japan will respond only when under pressure. It also represents an attempt to ensure that semiconductor trade problems remain a priority of President George Bush's Administration in the midst of broadening trade disputes with Japan.

Japan is charged with failing to live up to the terms of the 1986 US-Japanese semiconductor trade agreement, which promised foreign chip producers greater access to the Japanese market

The Japanese semiconductor industry has responded by calling upon the US Trade Representative to reject the Super 310 petition. As well as documenting the extensive efforts of Japanese chip buyers to increase their purchases of foreign chips, the Japanese industry association argued that the poor performance of the US semiconductor industry in the Japanese market is largely its own fault.

The Electronics Industry Association of Japan (EIAJ) submitted: "The US is not effectively competing in roughly half of the Japanese semiconductor market. It has products and packaging to serve only about 6 per cent of the consumer (electronics) sector (which represents more than half of the Japanese semiconductor market)."

Both sides acknowledge, none the less, that significant progress has been made in increasing Japanese semiconductor imports over the past four years. There is some concern, even among the US hardliners, that their trade complaint could damage delicate relationships that they have begun to develop with Japanese customers over the past few years.

The US industry charges, however, that the progress achieved to date is not adequate. With the five-year trade pact due to expire in mid-1991, it appears unlikely that foreign chip makers will achieve a 20 per cent market share goal that the US and Japanese government negotiators recognised in a "side letter" attached to the formal agreement, they claim.

"Japan's failure to comply with the agreement cost US and other foreign firms nearly $300m in sales in the Japanese market in 1989, representing lost investment in the US research and development of $90m and 9,000 US jobs lost," Wilfred Corrigan, SIA chairman said in a letter to President Bush last month. "By 1991, sales lost are projected to total $1.6bn a year."

Even if the US Trade Representative rejects the US industry's petition, as she did with a similar request a year ago, there is little doubt that semiconductor trade will remain a matter of serious dispute between the US and Japan. The US semiconductor industry is already lobbying for support of legislation that would automatically impose sanctions upon countries that fail to live up to the terms of trade agreements with the US.

Call to cut Canadian textile duties

A CANADIAN Government agency has recommended an average 26 per cent cut in Canada's tariffs on textile imports, arguing that the benefits to consumers and the domestic clothing industry will outweigh the cost to textile manufacturers, Bernard Simon writes from Toronto.

The cut suggested by the Canadian International Trade Tribunal (CITT) follows complaints by Canadian garment manufacturers that high duties applied to textiles made their products uncompetitive. It would be in addition to any concessions made by Canada during the Uruguay Round.

Mr Eric Barry, president of the Canadian Textiles Institute which has strongly objected to the recommendation, said yesterday "the possibility of a double cut is there."

Domestic clothing manufacturers also criticised the CITT proposal, however, on the grounds that its 10-year phase in period is too long to allow them to keep up with the growing competitiveness of US garments under the free trade pact between the two countries.

The Government is expected to decide on the CITT recommendations within a few months, but has already committed itself to reducing Canada's textile tariffs which are currently higher than most other developed countries.

With the US textile industry already 12 times bigger than its Canadian counterpart, Canadian producers are warning that the proposed easing of tariff protection may jeopardise new investment in the Canadian industry.

Domestic clothing manufacturers have criticised the CITT proposal on the grounds that it is being phased in too slowly to allow them to keep up with the growing competitiveness of US garments under the free trade pact. The US accounted for only 6.9 per cent of Canada's textile imports of C$2.2bn ($1.8bn)last year, but the proportion has risen markedly since 1987, when it was 4.6 per cent.

Mr Barry said that a Canadian tariff structure higher than that in the US was "essential" if the drawbacks of high interest rates and an overvalued Canadian dollar are to be overcome.

Petrochemicals downturn seen

By Peter Marsh

THE downturn in western Europe's petrochemical sector could last for another three years, partly as a result of much tougher worldwide competition in chemicals trading, according to Chem Systems, an Anglo-American chemicals consultancy.

"Extra capacity (in the Far East and other non-industrialised countries) will mean the industry faces heavy, cost-based competition in the 1990s," says Mr John Philpot, a Chem Systems director. "We are going to see a trade battle and as a result, downward pressures on margins."

Existing excess capacity in Europe's chemicals industry will be worsened by a build-up in petrochemicals capacity in many developing nations, particularly in the Far East.

These countries have over the past decade been big customers for many bulk chemicals made in the West.

These substances include plastics and other materials used as starting substances for fibres.

Mr Philpot says the new chemicals plants being built in countries such as Thailand, South Korea and Singapore will lead to fewer outlets for chemicals exports from western Europe.

The world is due to construct by 1992 new ethylene plants adding an extra 18m tonnes a year of ethylene capacity to add to the 60m tonnes a year already in place.

Of this extra capacity, roughly half is due to be built in countries outside the US, western Europe and Japan.

This build-up is likely to result in tougher trading conditions for many Western companies.

While western Europe has a net surplus with the rest of the world in chemicals trade, that is likely to be turned into a deficit by the mid-1990s, Chem Systems forecasts.

The chemicals business, one of western Europe's biggest manufacturing sectors with annual sales of about $300bn (£176bn), went through a purple patch in the late 1980s, with high demand and profits.

But in the past year, extra capacity in many bulk petrochemicals such as high-volume, low-value plastics has led to weaker prices.

At the same time, the growth rate in chemicals demand in many developed countries has slackened, due to a slowdown in many manufacturing businesses in areas such as cars, consumer goods and packaging – the main purchasers of chemicals.

● Reuter reports from Kuwait: Kuwait's top planners have approved a $2bn (£1.2bn) petrochemical complex aimed at increasing the Gulf state's revenue by boosting exports of refined products.

Officials said the Supreme Planning Council, headed by Crown Prince Sheikh Saad al-Abdulla al-Sabah, approved the eight-plant complex after meeting to review final plans.

The project is expected to be open to international bidding.

Turkey to offer export credits to Iran, Iraq

By Jim Bodgener in Ankara

TURKEY is to offer export credit packages to Iran and Iraq as part of an International Monetary Fund-inspired overhaul of its financial arrangements for trade with its once-warring southern neighbours.

In line with IMF requirements in the drive for Turkish lira convertibility, Turkey is moving away from bilateral trade managed by central banks to less regulated flows, more freely based on export credits.

Credit packages of around $800m (£470m) roughly equally split between exports and contractor guarantees have been agreed with each country in principle. Barring major hitches, they should be signed up by the summer.

The funds will be extended by the Export-Import Bank of Turkey (Eximbank), with an average maturity of 21 months, its general director, Mr Turgay Ozkan, says. In Iraq's case, the export credit basically will revitalise two-way trade plagued by large debts on Iraq's side, which peaked at $2.2bn last year. The export credit will allow Turkey to undertake fresh export business before these are paid off with oil shipments.

Framework guarantees have already been agreed for new construction work for Turkish groups in Iraq, for which two contracts are nearly finalised.

Turkey's exports to Iran fell by about 58 per cent to $98m in the first nine months of 1989, against the same period in 1988, mainly because of an oil-price dispute. Exports rose by only 5.6 per cent to $446m.

In exchange for goods subsidised by the Turkish central bank, mainly textiles, iron and steel, Turkey had been buying Iranian oil at under market rates. But due to the oil-price row, the level of transactions failed to match complex lists of bartered exchange goods and volumes.

AMERICAN NEWS

Brazil's car market grinds to standstill

By John Barham in Sao Paulo

BRAZIL'S car industry has virtually stopped building cars for the domestic market as sales grind to a standstill. General Motors do Brasil, the country's second-largest car company, said it had not sold a single car last week.

The car companies are the first major industrial sector to suffer from the heavy liquidity squeeze imposed by President Fernando Collor de Mello's anti-inflation policy. Demand from investors who bought cars as a hedge against hyper-inflation has halted. Prices on the once-hectic second-hand market have fallen 60 per cent.

Volkswagen, Ford, and General Motors have sent most of their industrial staff home on full pay. Only Fiat has decided to maintain full production for the time being.

Autolatina, the holding company which controls Ford and Volkswagen operations in Brazil and Argentina, put 28,000 assembly-line workers on a week's paid leave as of Monday.

General Motors has sent 80 per cent of its 15,000 factory workers home on full pay. It plans to resume full operations on April 16. Lost production at General Motors is put at 7,800 cars and 16,800 cars at Autolatina. However, production for export markets is to continue normally. Fiat said it has avoided closure by increasing exports sharply.

US machine tool orders fall

Machine tool orders placed with US manufacturers fell to $194.6m in February, down 6.3 per cent from January and more than 30 per cent from the same month in 1989, according to the industry's trade association, the Association for Manufacturing Technology, Anthony Harris reports from Washington. This reflects falling investment demand and keener Japanese pricing following the yen's decline.

However, machine tool wholesalers report a 14 per cent recovery in sales in February, and strong demand in March.

Sword makers do not easily switch to ploughshares

David White and Lionel Barber look at prospects for the US arms industry in the post-Cold War era

SOME people saw it coming – but decided there was little they could do about it. Five years ago, when US military spending was turning downwards from its highest-ever peacetime level, General Dynamics hired a firm to study opportunities outside defence.

"We concluded it would cost too much to go out and make acquisitions outside our areas of expertise," says the company, the second-largest US arms manufacturer. It also took a lesson from the aftermath of the Vietnam War, when the Grumman aircraft company went into buses. It was a $250m flop.

Concern about defence contractors' future prompted 11 Democrat state governors to start petitioning last month for federal help in converting production, retraining workers and supporting small businesses.

Some moves have been made into other sectors. Rockwell International, the aerospace and electronics group that took up the mantle of North American Aircraft, makers of the Second World War Mustang, was until two years ago doing a quarter of its business on the B-1B strategic bomber. It has since gone into factory automation and expanded in truck parts and printing presses.

Others have tried to lever their way into non-military government programmes or use their technology elsewhere. Electronic Warfare Associates, based near Washington, has set out to sell voice-recognition systems to banks. Several major groups have been trying to exploit their data processing capabilities, crossing the paths of smaller specialised contractors.

McDonnell Douglas's Apache tank-buster: purchases to end early

Where defence is only a minor part of the business – the case with some of the biggest Pentagon suppliers, such as General Motors/Hughes Aircraft, General Electric or Westinghouse – adapting is less of a headache. But a handful of top contractors are more than 70 per cent reliant on defence. Experts in selling to the government, they are not geared to the market.

GD is the most typical: 85 per cent military. It has some civil aerospace activities – the Cessna light aircraft company and sub-contracting business – and odd sidelines, including coal mines. But the thrust of its diversification has been within the defence sector, supplying all the services. It ranges from F-16 fighters to nuclear submarines, from Stinger missiles to a US monopoly in tanks. When the cuts came, it had to be hit somewhere.

Under the latest budget plans, US Army orders for GD's M1 Abrams tanks will end next year and the Second World War-era tank factory near Detroit will come to a halt. The company's newer plant at Lima, Ohio, will in three years start relying solely on exports to keep in active tank production. They cannot be converted to civilian use because the Pentagon wants them on standby.

GD's headquarters in St Louis are within trench-warfare distance of McDonnell Douglas – cheek by jowl, the Western world's two biggest suppliers of arms. Together, MD (aircraft, missiles, electronics) and GD won $15.6bn worth of Pentagon contracts last year. With more than 40,000 jobs in St Louis, MD is Missouri's biggest private employer.

Built up during the Cold War, MD is affected by budget plans, too. Army purchases of Apache tank-busting helicopters, made in Arizona, are to stop early. In St Louis, the F-15E Eagle, long-range strike version of the US Air Force's top air-to-air fighter, is also to be curtailed.

And questions hang over the F-15's costly successor, the Advanced Tactical Fighter, for which MD and GD are in rival development teams.

The MD group is considered relatively protected because of its California-based Douglas airliner business. Civil aircraft, now 32 per cent of sales, are expected to take up slack from the military side. Government contracts accounted for 72 per cent of group sales last year. In the $50bn backlog of orders, they make up only 53 per cent.

But McDonnell Aircraft at St Louis is wary about going outside the military arena. "We are diversifying but in fields we know best," it says. It is moving away from the pure fighter business into trainer programmes, airliner parts and avionics work that would previously have gone to outside companies, but is relying on keeping a "relatively strong" position in a shrinking military business.

Other big groups with overwhelming dependence on defence are Lockheed and Northrop in southern California and Martin Marietta, based outside Washington, the only giant among a cluster of smaller defence companies – known as the Beltway Bandits – within eavesdropping distance of the Pentagon.

Three-quarters of Martin Marietta's business is with the Department of Defence and half the rest with other government branches. Its civil initiatives are mostly within the limits of that marketing niche: air traffic control, information systems, postal automation. Like troubled Lockheed, it is counting on a growing space budget. But Mr Thomas Young, MM's president, says it has no plan for downgrading military aerospace. "That's what we're good at and that's what we'll do. Even in decline it's a good business."

It has cushioned itself by building up its order backlog, and kept up investment in new technology in the belief that the Pentagon will hold on to "quality" programmes. A year ago, it set up an autonomous advanced technology operation in California, with 80 scientists, to generate new projects.

International business has taken on increased importance for companies such as GD (for example, its share in Japan's $7bn FSX fighter project) and McDonnell Douglas (which has beaten GD to a $3bn South Korean fighter deal).

But Martin Marietta believes that exports will probably continue to be marginal, that European and Third World markets will decline "at least at the same rate as the US", and that there is no substitute for US defence business.

This is the second in a three-part series on the US arms industry. The first article appeared yesterday, and the concluding article will appear tomorrow.

Democrats all at sea in voyage towards mainstream

Lionel Barber reports on the policy and personality divisions that led up to a fractious party congress

THESE are dog days for the US Democratic party, whose hopes of a national revival continue to be thwarted by disputes over taxes, defence spending and the Rev Jesse Jackson.

The party's fractiousness emerged during two weekend meetings attended by Democrat leaders in New Orleans and Indianapolis, but it is apparent in Congress too – and helps to explain why President George Bush enjoys such extraordinarily high approval ratings in the polls.

The national party's message is that it is back "in the mainstream" – the political code for restraints on social spending, fiscal responsibility, law and order and the end of old-style liberalism which some believe has cost the party five out of the last six presidential elections.

In New Orleans, however, Mr Jackson, the once and future presidential candidate, turned this message on its head, informing fellow Democrats that "the new mainstream" covered military budget cuts, progressive taxation and high government investment in education and economic development.

The forum was a meeting of the Democratic Leadership Council, the centrist body formed in 1985 after Mr Walter Mondale's crushing defeat the previous year.

Reaction ranged from amusement to outright anger. "I don't think that anyone thinks that the party has moved in Jesse Jackson's direction," said Mr Alvin Fromm, DLC director.

Much as the Democrats may splutter, party regulars in Indianapolis have not helped matters by approving rules governing the 1992 election which many believe will help Mr Jackson if he decides to run again.

The Democratic National Committee – picking up the agreement reached between Mr Michael Dukakis, the 1988 presidential candidate, and Mr Jackson – confirmed that delegates would be allocated on a strictly proportional basis.

The previous system of awarding extra delegates was also modified – which could encourage insurgents like Mr Jackson to stay longer in the race.

Mr Jackson is not solely to blame for the party's divisions. The DNC adopted a resolution urging Congress to enact the plan proposed by Senator Daniel Patrick Moynihan to cut social security taxes. This stance puts it directly at odds with Congressional Democrat leaders such as Senator Lloyd Bentsen and Mr Dan Rostenkowski who argue it would enlarge the Federal budget deficit.

On defence spending, too, the Democrats are to come up with a common position on the size and scope of a "peace dividend." Senator Jim Sasser, who chairs the Budget committee, has raised the possibility of $20bn this year; Mr Sam Nunn, chairman of the Armed Services committee, calls this premature and wants cuts tailored to a new assessment of the Soviet military threat.

In the House of Representatives, it is by no means clear that the party has control - despite its 78-vote majority. Last year, the party split on cutting the capital gains tax and on repealing catastrophic health insurance – and this year bruising fights lie ahead not just on the budget, but also child care, clean air and campaign finance reform.

Already, there is talk that Mr Tom Foley, the House Speaker, is not doing enough to bring members into line.

The Democrats' inclination towards fractiousness and infighting has sometimes invited comparisons with Britain's Labour Party. But whereas Labour seems to have buried its differences in the interests of recapturing power, the party's American brothers and sisters are finding the search for common ground as elusive as ever.

Colombian drug effort hit by resignation

By Robert Graham

THE Colombian government's unified hard-line stance against drug-trafficking has been undermined by the weekend resignation of Mr Carlos Lemos Simmonds, the Interior Minister.

Mr Lemos Simmonds, widely regarded as the toughest cabinet member in the fight against the traffickers, accompanied his resignation with a bitter attack on President Virgilio Barco. He criticised the President for failing to defend him against accusations that he had helped encourage last Thursday's assassination of Mr Bernardo Jaramillo, the presidential candidate of the leftist Patriotic Union (UP).

Shortly before Mr Jaramillo's murder, Mr Lemos Simmonds had claimed that the UP was linked to the communist-controlled guerrilla movement, the Revolutionary Armed Forces of Colombia (FARC). This group is heavily involved in its own drug-trafficking operations. But UP supporters maintained the former Interior Minister's remarks encouraged Mr Jaramillo's killing.

No one has yet claimed responsibility for his assassination at Bogotá airport, although the killer, a 16-year-old youth arrested on the spot, is believed to be linked to the Medellín drugs cartel. In a letter to President Barco, Mr Lemos Simmonds complained: "Neither you, nor the government raised your voice to reject these imputations, repudiate them and defend a man of good will."

He went on: "In certain areas inside the government itself, the attitude in the face of drug trafficking has been changing almost imperceptibly and now it is not the same intransigent and firm policy that it was in December. I fear that with my departure from the ministry the drug traffickers and those who help them have obtained a victory." The President was caught between backing his own minister and assuaging public anger over Mr Jaramillo's death. He quickly appointed Mr Horacio Serpa Uribe, a former attorney-general, as the new Interior Minister.

"WE WON AN AWARD FOR TREATING OUR STAFF LIKE VEGETABLES."

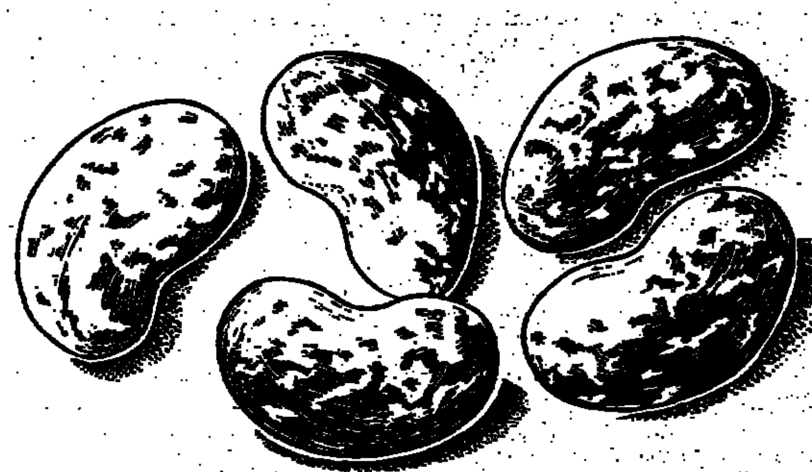
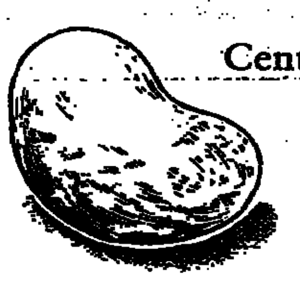


figure 1.

Not surprisingly, the management at Lambton Park Garden Centre has always been keen on growth.



From the start, in 1977, they planned to make their Garden Centre the biggest and best in North East England.

Perhaps because of the nature of the business, the way to bring their plan to fruition seemed obvious.

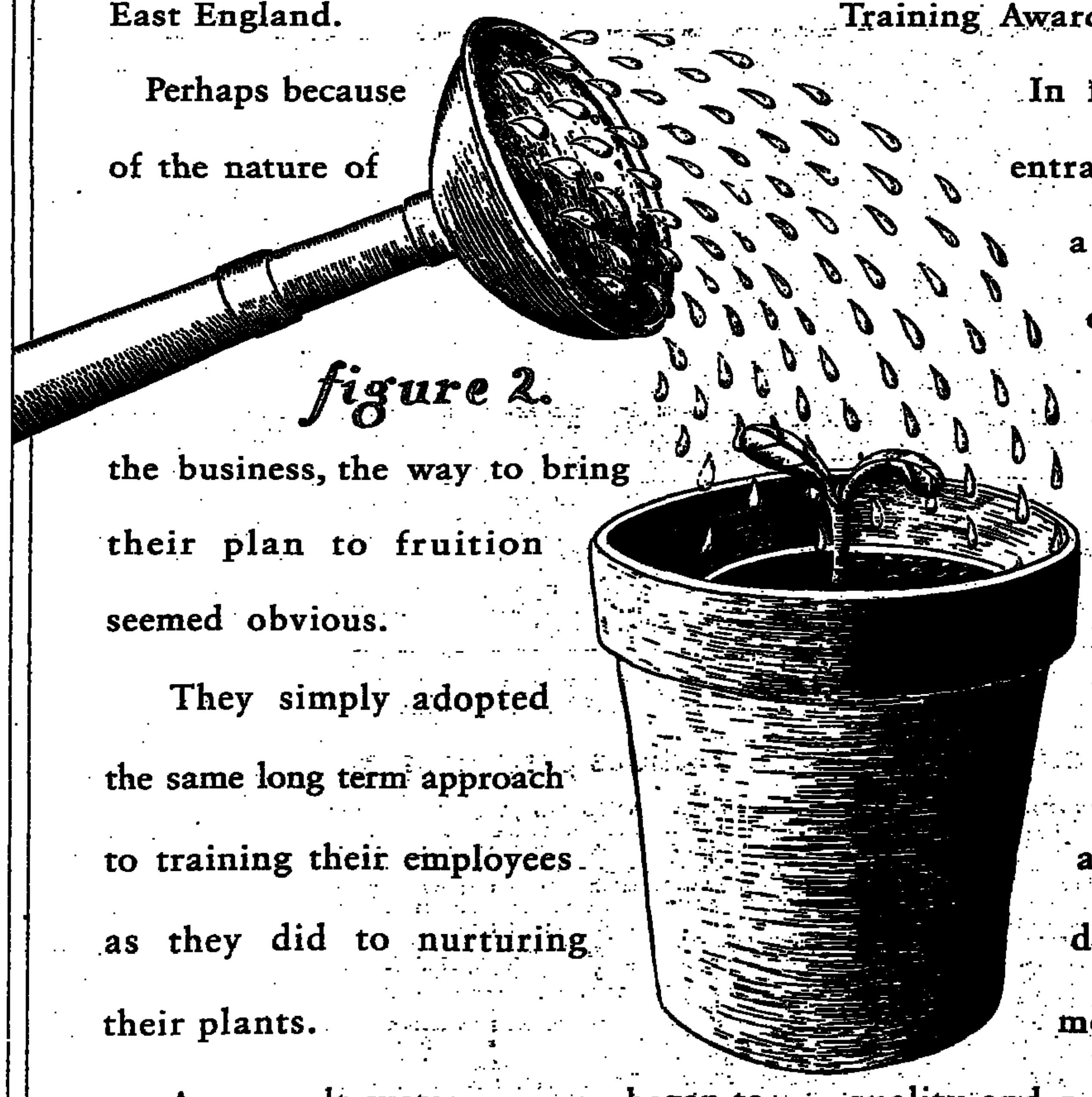


figure 2.

They simply adopted the same long term approach to training their employees as they did to nurturing their plants.

As a result customers soon began to benefit from the extra care and expertise shown by staff.

Which explains why both the produce and the company are thriving. (Turnover has increased tenfold since 1977.)

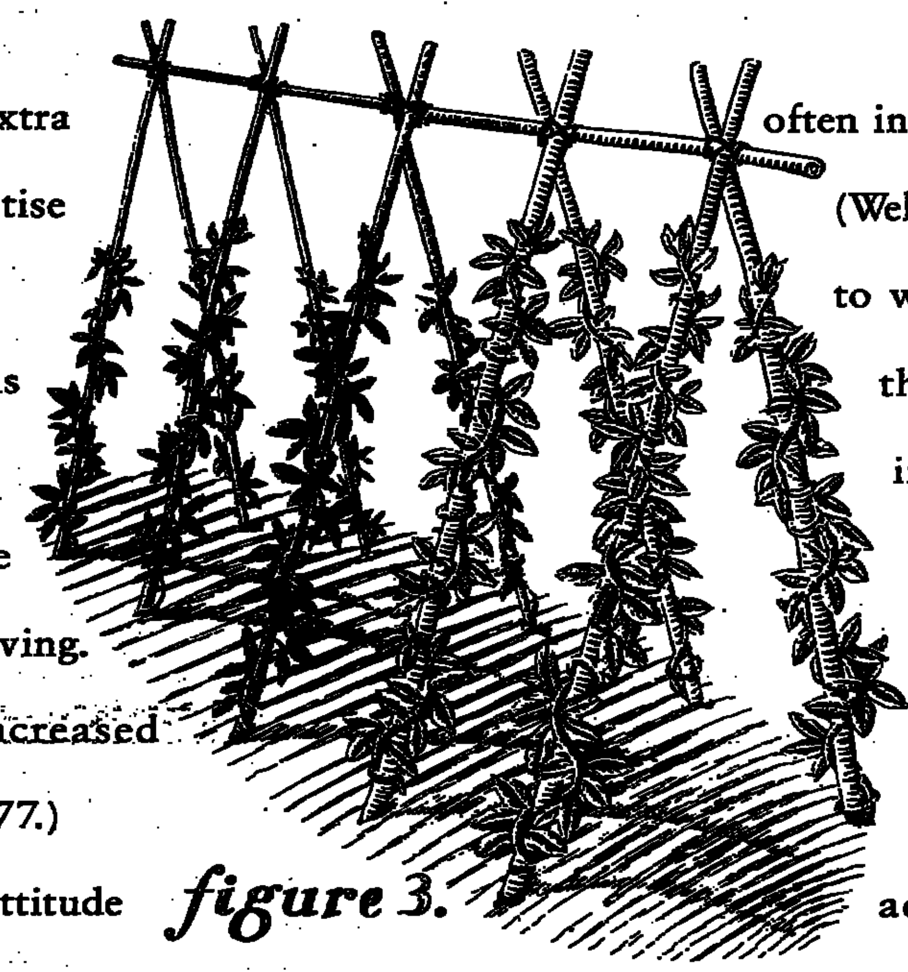


figure 3.

This positive attitude to staff training was shared by the other 79 winners of last year's National Training Awards.

In fact, each of the 1303 entrants demonstrated how a similar investment in employees had helped their businesses.

From reducing staff turnover and wastage to increasing productivity and sales.

And, of course, the award winners soon discover they've won more than an award. The quality and quantity of job applicants often increases dramatically. (Well, who wouldn't want to work for a company that is prepared to invest in its staff?)

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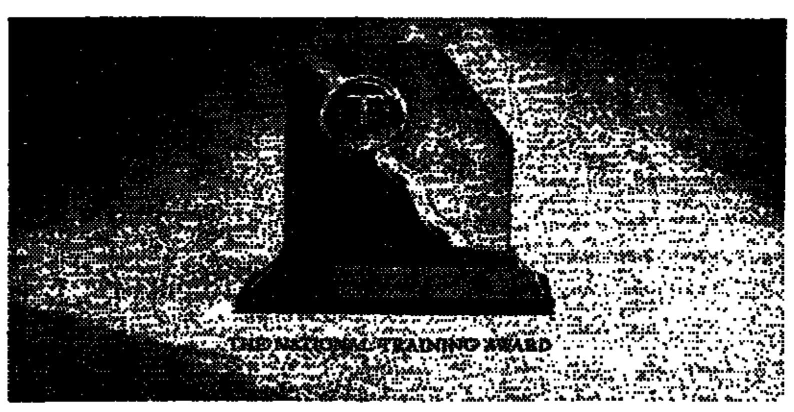

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Top civil servant found guilty in Recruit trial

By Robert Thomson in Tokyo

A SENIOR Japanese civil servant was yesterday found guilty of bribery and given a one-year suspended jail sentence for being wined, dined and treated to rounds of golf in return for favours done for Recruit, the information services company at the centre of a political scandal.

The verdict establishes an important precedent for a series of similar cases involving senior bureaucrats and politicians, who are also alleged to have accepted bribes as part of Recruit's successful cultivation of a network of influence in the ruling Liberal Democratic Party and the civil service.

Mr Shigeru Kano, 56, a former Labour Ministry official, was fined Y1.34m (£5,400) and had the one-year sentence suspended for three years by the Tokyo District Court, which found that he had been wined and dined 23 times in the Ginza nightclub district, treated to 11 games of golf, and given a set of expensive golf clubs by Recruit executives.

In return for gifts of Y1.51m received over two years from 1984, Mr Kano, a director of the ministry's employment service division, was found to have worked to prevent the introduction of restrictions on employment magazines, such as that published by Recruit.

The presiding judge said that the actions of Mr Kano, who admitted assisting the company, had prompted widespread public distrust in the civil service and led many Japanese to believe that a private company had great influence on public policy.

A total of 12 defendants will stand trial over the influence-peddling scandal, which led to the resignation of Mr Noboru Takeshita as prime minister last year and to the suicide of one of his aides. The other defendants include a former chief cabinet secretary, a former head of Nippon Telegraph and Telephone, and Mr Takashi Kato, a former vice-minister of Labour.

Like most other defendants, Mr Kato is alleged to have received stock in a Recruit affiliate, Recruit Cosmos, in return for doing favours for the company, while the personal staff of numerous senior politicians not indicted in the case have received large numbers of the lucrative, pre-flotation shares.

The judge yesterday lamented that senior government officials had routinely allowed themselves to be corrupted by a private company. After the decision, the Labour Ministry said that since Mr Kano's arrest "we have sincerely worked to enforce strict discipline".

South African police kill township protesters

By Patti Waldmeir in Johannesburg

SOUTH African police opened fire on black anti-apartheid demonstrators near Johannesburg yesterday, killing at least eight and leaving hospitals to deal with more than 300 injuries as violence intensified in black townships.

The deaths in Sebokeng, a black township outside the Transvaal town of Vereeniging – the home constituency of Mr F.W. de Klerk, the President – occurred when police tried to stop several thousand black demonstrators from marching on the local offices of the ruling National Party.

Witnesses spoke of seeing scores of wounded, including young children, being treated at the local hospital. They said many had been shot in the back.

The marchers said their aim was to protest at high rents and to call for the resignation of local councillors. They attacked local council offices, after police prevented their march on Vereeniging.

Despite repeated appeals for calm from leaders of the African National Congress (ANC), including Mr Nelson Mandela, its deputy president, incidents of unrest in black townships and homelands have increased sharply in recent weeks and could increase tensions before next month's scheduled negotiations between the ANC and the South African Government.

Elsewhere in South Africa yesterday, about 13 people were killed in other incidents of violence.

The current upsurge in unrest appears to have been prompted by the release from prison of Mr Mandela on February 11. Since then, nearly 250 people have died, the vast majority in faction fighting between rival groups of blacks in Natal province. Many have also died in several of the country's 10 black homelands.

Much of the recent violence has occurred when protests over local grievances – which have gathered pace since Mr de Klerk eased restrictions on black political activity on February 2 – have got out of hand.

Mr de Klerk's address to parliament on February 2, in which he announced the legalisation of the ANC and the return of exiles, has raised expectations in black townships and homelands which anti-apartheid leaders may find difficult to satisfy.

Residents of homelands – which are nominally separate from South Africa – fear that they may be left out of any eventual political solution, and have also been emboldened by political liberalisation to protest at blatant corruption in homeland administration.

There is no suggestion that the violence is being orchestrated by the ANC leadership: but local activists are either unable to control it, or are unwilling to abandon the weapon of mass mobilisation against Pretoria.

● Insurgents attacked a government building and a power station with grenades and limpet mines, police said yesterday, causing damage but no injuries. Police said suspected ANC guerrillas fired two rocket-propelled grenades Sunday night at town council offices in Soweto. An hour later, three limpet mines were detonated at the Langlaagte power station in Johannesburg.

Demonstrators at Sebokeng carry off a wounded comrade while another lies injured after clashes with the police yesterday.

S Korea puts off financial reform

By John Ridding in Seoul

SOUTH KOREA is set to postpone controversial financial reforms as part of new economic policy measures, a government official said yesterday.

A package of economic reforms, details of which will be announced later this week, will also include measures to stimulate investment and exports, although a reduction in bank lending rates is now considered unlikely.

More expansionary economic policies have been expected since a cabinet reshuffle earlier this month in which most of the incumbent economics team was removed. The replaced ministers, headed by Mr Cho Soon, the former deputy prime minister, were criticised for a slowdown in the economic growth rate and the poor performance of exports, which increased by only 3 per cent last year.

The official said that the new cabinet had agreed to shelve plans to force the use of real names in financial transactions. Government analysts estimate that almost 10 per cent of such deals are conducted under pseudonyms.

The reform, which was intended to provide the basis of a capital gains taxation system and to reduce malpractice, has been strongly opposed by the large business groups which dominate the economy. It has also prompted a flood of funds from the Seoul stock market, which has fallen by almost 8 per cent since the year's start.

"Even though it was part of President Roh Tae Woo's election programme, the current economic situation makes the real-name system difficult to implement," said the official. At the same time, the government will take measures to curb real estate speculation, which has been partly fuelled by the outflow of funds from the stock exchange. Such speculation has prompted a 32 per cent increase in land prices over the last year, according to the Construction Ministry, and similar rises in rental payments.

Additional measures under consideration include the resumption of preferential financing for export industries and increasing investment loan facilities from Won1,000bn (£890m) to Won2,000bn.

Gandhi's party suffers more setbacks in states

By K.K. Sharma in New Delhi

MR Rajiv Gandhi's Congress party suffered further setbacks yesterday when it lost control of two more Indian states in which it formed governments.

In the north-eastern state of Meghalaya, a 25-month-old coalition government in which the Congress was the main partner resigned after eight ministers quit the cabinet led by Mr P.A. Sangma, a supporter of Mr Gandhi.

In the small western state of Goa, the Congress chief minister, Mr Pratap Sinh Rane, resigned after seven members of the party broke away from it to form their own group. Chief ministers of both states have been asked to continue functioning until other arrangements are made. It is expected that opposition groups in both states will be asked to form governments if they can show they command majorities in the legislatures.

The loss of the two states by the Congress comes after serious defeats in elections to eight state legislatures last month. The only important state it won was Maharashtra in western India.

Internal strife has been an important reason for the setbacks it has suffered recently. The Congress now controls only six out of India's 25 states, but three of these are small ones in the north-east and do not count for much in terms of national politics. The party's influence has thus contracted considerably since Mr Gandhi lost parliamentary elections last November.

Mr Gandhi is, however, trying hard to maintain Congress's separate identity: yesterday it withdrew from an all-party committee set up to seek a national consensus on the northern state of Kashmir where secessionists have launched a campaign of violence.

Arab League backs Iraq on Bazoft hanging

THE ARAB League issued a communiqué yesterday condemning the "unfair campaign" launched by the British Government against Iraq after the execution of the London-based journalist Farzad Bazoft earlier this month, Jihan el-Tahri reports from Tunis.

"Such campaigns do not help Euro-Arab relations," the communiqué said, expressing regret that other European countries had joined Britain against Iraq. The UK reaction to the execution of Mr Bazoft was described as an intervention in the internal affairs of Arab countries. The Arab League expressed support for Iraq's right, according to international law, to execute a man it termed a convicted spy for a foreign intelligence agency.

Iraq executed the Iranian-born journalist working for The Observer on March 15 after he had made inquiries into the cause of an explosion at an Iraqi military site.

Abidjan teacher protest leaves 120 arrested

By Mark Huband in Abidjan

POLICE and soldiers in the Ivory Coast last night arrested 120 teachers in the streets of Abidjan who defied a nationwide ban on demonstrations.

Teachers and university lecturers drove in convoy through the city in protest at government plans to cut public sector salaries as part of an economic austerity plan intended to see the country through a financial crisis caused by the slump in world commodity prices.

Among those arrested was Mr Francis Wodie, a representative of Amnesty International, and Mr Marcel Ette, secretary general of the university teachers' union, Synares. All those arrested were taken to the Akuedo military camp outside Abidjan.

Yesterday morning doctors launched a 48-hour strike and brought hospitals to a standstill in protest at the pay cuts.

Weather and war conspire against Ethiopians

The haunting horror of the 1984-85 famine has been evoked, writes **Julian Ozanne**

NESTLED between thorny acacia trees and wind blown palms Soviet-made T55 tanks are dug in on the parched and barren beach at Port Assab, on Ethiopia's Red Sea coast.

Since the lightning fall of Massawa last month to the rebel Eritrean People's Liberation Front, Assab is now the only port under government control and the lifeline to the country's survival and its effort to save an estimated 4.4m people severely at risk from starvation and death.

In the port, under the scorching sun, workers in shorts load 50kg sacks of wheat from mountains of food aid onto waiting trucks. From here the food must be trucked 330 miles down a deteriorating road through the lifeless volcanic plains around Assab and then up into the highlands to Dese, the latest staging post for the government-sponsored relief effort.

About 20 miles north of Dese, between Hayk and Wichale, is the frontline. Behind this line, in Northern Wello, Tigray and Eritrea, more than 2.5m peasants are trapped without food around towns such as Korem, Maychew and Makele – names which evoke the haunting horror of the 1984/85 famine when thousands of exhausted and emaciated people trekked to disease- and death-ridden camps in a desperate search for food.

"My family said rather than all of us waiting to die here I should walk and try to find food," said 16-year-old Mieraf Gebrekiros who just arrived in Dese at a government distribution centre after a seven-day trek from Makele.

While the scale of this year's looming disaster is not yet on a par with the great famine of 1984/85, in which up to 1m people died, the almost total crop failure in Eritrea, Eastern Tigray and Northern Wello, compounded by the effects of civil war, have put people trapped behind the lines of conflict on the brink of starvation.

"As usual it is the young and the very old who will bear the brunt of the famine. They will be too weak to walk in search of food as malnutrition quickly escalates into disease and death," said one aid worker.

"It is hard to estimate at present how many will die but it will definitely be hundreds, probably thousands and possibly tens of thousands."

Much will depend on the success of the relief effort and the willingness of both sides of the civil war to put humanitarian considerations above political or military advantage.

Relief officials say 45,000 tons of food a months will have to be distributed in the famine affected provinces if a disaster is to be averted.

Cross border trucking operations mounted by the Eritrean Relief Association and the Relief Society of Tigray are presently capable of a maximum delivery of 16,000-18,000 tons a month through rough and arduous terrain, travelling only at night braving the constant risk of bombardment by Soviet-supplied Mig fighter bombers.

The niceties of international diplomacy and the chance that western governments and international agencies may be prevented from operating in Ethiopia if they channel increased food and support through the rebel groups means that the relief effort will have to depend substantially on precarious government-sponsored operations.

Before the launch of the latest offensive by the EPLF last month donors had counted on using Massawa as the staging point for the relief operation. Now the port is in rebel hands.

The EPLF have asked the UN to use Massawa to deliver food. Donors are pressing the Government with the same idea. But so far the Ethiopian regime has flatly refused. To accept it would be to surrender too much political advantage to the EPLF and to give the rebels a legitimacy through de facto recognition of their control.

So all attention has been turned to Port Assab, where about 22,000 tons of food have been delivered, and to bridging a southern corridor from Dese across rebel lines up into Northern Wello, Tigray and possibly as far as Asmara.

The organisation given responsibility for the operation is the Joint Relief Partnership, a consortium of church groups. They are inexperienced and under-resourced and lack the necessary logistical backup for such a difficult operation. Long and ridiculous delays have already been encountered in getting the first convoy moving.

To move the necessary quantities of food relief officials estimate that at least 600 trucks a month will have to be used. The only organisation capable of providing those trucks and the maintenance back up is the World Food Programme. While the JRP have not ruled out the possibility of using the WFP, they are playing it cautiously.

"The situation does not require caution," said one frustrated UN official. "It requires urgent action on a very grand scale. We are talking about more than 4m people sliding into starvation and every day that is lost means more people will die."

Privately many donors believe the Government has purposely entrusted the operation to the JRP, rather than the UN or International Committee of the Red Cross, because, as indigenous organisations, they are more susceptible to pressure.

The delays in the final permission for the convoy to leave government territory has been interpreted as a tactic employed by the Government to pressure the donors to mount an airlift into the besieged government garrison of Asmara using 14 C130 Hercules transport planes.

Apart from the tremendous cost of such an operation – about US$1m per 350 tons of food delivered – donors rejected the airlift because the Government refused a similar airlift into rebel-held Makele and because there are fears that food and fuel delivered into Asmara would be diverted for military purposes.

Credit must be given to both the Government and rebels for allowing the first convoy to leave last week.

However, there are already signs the rebels are massing their forces at Wichale for a major offensive. If that occurs, or if one side tries to use either the convoy or the open road for a military push, the relief operation is bound to be throttled.

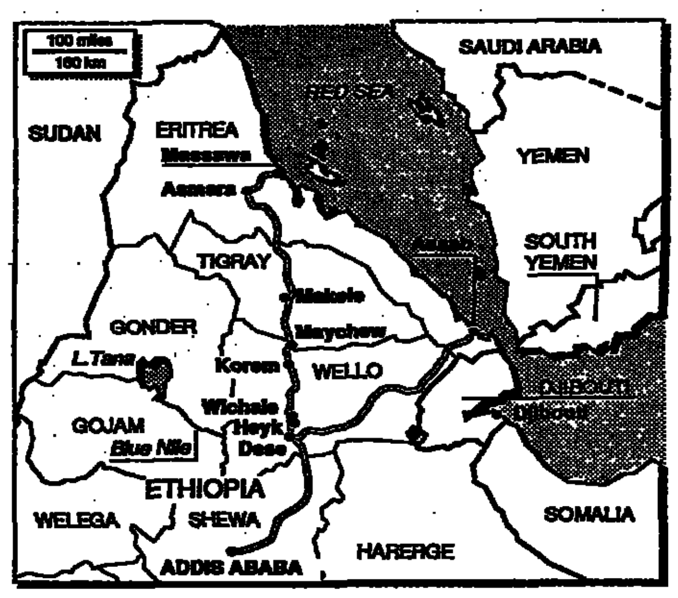
What is clear is that the continuing manoeuvring for political and military advantage by both sides in the conflict is going to cost the lives of hundreds, possibly thousands of peasants who are caught up in a war they do not understand.

Ethiopian relief workers hope to get food to famine-stricken Makele, the capital of rebel-held Tigre Province, by the end of the week, an official said yesterday, AP reports from Addis Ababa.

The Reverend Francis Stephanos, president of the Ethiopian Evangelical Church, said a five-member advance team arrived in Makele last week to assess conditions in the region.

Mr Stephanos said four convoys totalling 41 trucks have already carried 240 tons of food to northern Wello. Another convoy was scheduled to leave yesterday.

Each convoy, Mr Stephanos said, was inspected once by government officials before leaving Dese and four times by rebels along the 90-mile route.



China urged to provide for minorities

By Peter Ellingsen in Peking

COMMUNIST Party officials in Tibet have urged the central government to pour money into China's poverty-stricken border and minority regions in an attempt to halt growing ethnic unrest.

The call came at yesterday's session of the National People's Congress, China's parliament, as party leaders in two other sensitive minority provinces, Xinjiang, on the Soviet border, and Inner Mongolia, warned of threats to stability by "separatists" bent on "sabotage".

According to Ngapoi Jigme, the pro-Chinese leader of Tibet's regional assembly, the province needs help to feed 250,000 people living below the poverty line. "Tibet needs more assistance to accelerate its economy (the poorest in China), and maintain stability," he said, without pointing out that hunger in Tibet in the years since China's occupation has often been the upshot of disastrous Peking policies.

The Tibetan capital, Lhasa, still under martial law, saw a renewed bout of arrests following an attack on police on the eve of a prayer festival last month.

The disturbances were repeated in remote western Xinjiang where members of the local Moslem Uygur population also agitated for autonomy. Inner Mongolia, where 3m ethnic Mongolians have watched while adjoining Mongolia sheds single party rule, is also in danger, according to the region's government leaders.

China's ethnic minorities account for less than 8 per cent of the population, but inhabit the most sensitive 60 per cent of the land.

Nationalities Minister Ismail Amat warned the Government at the weekend it must pay more attention to minority areas where, he said "riots and sabotage by a handful of separatists" had fomented unrest. Referring to recent upheavals in Tibet and Xinjiang, he said "hostile forces at home and abroad" were trying to "undermine unity".

The line was supported by deputies from other minority regions who urged Prime Minister, Li Peng, to boost economic development in their provinces.

Li and other senior leaders told the deputies the Government would provide assistance but said the major load had to be carried by them.

Tensions grow across the world's oldest religious divide

Victor Mallet reports on the conflict in Upper Egypt between Moslems and their Coptic Christian neighbours

A BURNT-OUT motorcycle lies in the nave of St George's church in Abu Gurgas among some broken pews. The Coptic Orthodox Christian congregation has left it there untouched near the burnt-out altar place, a reminder of the recent Friday when Moslem fundamentalists went on an anti-Christian rampage, ransacking churches, shops and cars in the El-Minya district and setting them alight with kerosene.

Troops armed with semi-automatic weapons have moved in to keep the peace and Christian and Moslem leaders have met to discuss the issue. Last Sunday Mr Mohammed Abdel-Halim Moussa, the Interior Minister, announced details of the troubles to Parliament in Cairo and said 337 people had been arrested.

The substantial Arabic-speaking Christian minority of Upper Egypt, however, is once again afraid that Islamic fanatics may bring an end to centuries of largely peaceful co-existence between Moslems and Christians.

"This is not the first time but on this occasion it was on a large scale," says Bishop Arsanios, the local Coptic religious leader, at his well-guarded office in El-Minya. "Some Copts who don't have strong faith and fear a repetition want to emigrate." The Bishop believes the extremists are stirring up trouble so that they can offer Islam as a solution to disorder, and thereby come to power. "They want to apply the Moslem Sharia law to all Egyptians. We don't accept this at all. This is impossible. We are ready to die."

Abu Gurgas itself is a typical Nile town of Upper Egypt, a poor community where Christians make up perhaps a quarter of the population and where traditions of violence and blood-feuding remain strong among all religious sects. Both Moslems and Christians in southern Egypt, far removed from the European influences of Cairo and Alexandria, are particularly devout.

This year's trouble in the El-Minya Governorate started with a lurid rumour about Christian "Crusaders" having sex with young Moslem girls and filming them to make pornographic videos. The extremist Jamaat Islamiya (Islamic groups) distributed leaflets linking these rumours to hero-in-taking, as well as to plots by wicked foreigners and strangers from decadent northern Egypt. The leaflets bemoaned the fate of "the victims of these filthy Nazarene hands", criticised the government for inaction, and declared: "We, the youth of the Jamaat Islamiya, have made a covenant with God to fight corruption and perversion from the Nazarenes until death".

That seems to have been enough to bring young Moslems onto the streets in Abu Gurgas after Friday prayers on March 2, and sporadic incidents have been reported since then in surrounding towns and villages. The Christians say that five churches – including a Catholic one – were attacked, along with dozens of shops and a few cars. Several people were injured. "It's the same people who live next door, to whom we gave sweets on holidays, that threw kerosene into the church," says Father Rowais Aziz, the priest at St George's.

Restoring trust between Christians and Moslems in Upper Egypt will not be easy, but moderates on both sides with an interest in controlling extremism are anxious to draw on the traditions of tolerance preached by their respective religions. Clutching a bottle of Pepsi, Father Rowais rules out revenge as unchristian.

In Asyut further south, Sheikh Ibrahim Ali, the chain-smoking head of the Islamic library at the el-Nasser mosque, blames Islamic extremism on individuals without religious training. A nearby Moslem café-owner insists that he and other natives of Upper Egypt (the so-called "Saidis") are hotheads. "I would kill a Moslem too if he dishonoured my sister," he declares.

The Coptic language – now used only for a few religious rites – is rooted in the Pharaonic era, and popular Christianity in Egypt pre-dates popular Islam by a millennium, but each violent incident makes the Christians feel more vulnerable than ever. One result of the violence has been to unite orthodox Copts with the smaller Christian denominations in a common cause.

In times of crisis, Christians judge Egyptian governments on the basis of official policy towards Islamic fundamentalism. By this yardstick, Nasser's secular rule and harsh treatment of Islamic extremists is regarded with nostalgia, while Sadat is said to have bowed too much to Islamic demands; in 1981 he confined the Coptic pope to a monastery to curb Coptic militants.

Christian hardliners believe that President Hosni Mubarak is too soft, particularly since the sacking of Mr Zaki Badr, the former Interior Minister, who did his best to suppress Islamic activists. Christians have several grievances, including what they call the government's unannounced policy of job discrimination.

More than anything, they fear the distant possibility of the extremists gaining power, and the tacit acceptance of anti-Christian violence which they saw among typical Moslems during the recent violence.

The view from the fortress-like Convent of the Virgin Mary in the hills above Asyut encompasses the city itself, the Nile valley and a small Christian village. The Holy Family is said to have stayed in the Convent's caves on their travels through Egypt, and Christians flock here every August for a religious festival.

But the Moslem call to prayer can be heard on the evening breeze, and an admonitory sign on the road up to the Convent is adamant that there is no God but God, and Mohammed is his prophet.

OVERSEAS NEWS

Indonesia banks ring the changes

John Murray Brown looks at a shakeout in a sector that had been slow to meet the needs of a manufacturing sector close to capacity

When the head of one of Indonesia's state banks was asked if borrowing rates would fall in line with declining deposit rates, he was clearly taken aback by the question. "No, why should it?" he replied.

Old habits die hard. But today even the archaic ways of Indonesia's state banks are under threat as the industry strives to finance the economy of the world's fifth most populous country.

Deregulation and increased competition is reshaping the banking environment. A new generation of banks both domestic and foreign has arrived to transform the Jakarta skyline.

The shakeout has thrown up a class of bankers not only youthful but totally without experience of the hurlyburly of a modern marketplace.

Indonesia is a vast underbanked country and its banking system remains a bewildering array of more than 100 separate institutions ranging from the five state banks to the 5,800 rural paddy banks and credit co-operatives.

Bank Indonesia, the Central Bank, oversees the landscape wielding short term monetary instruments and acting as lender of last resort.

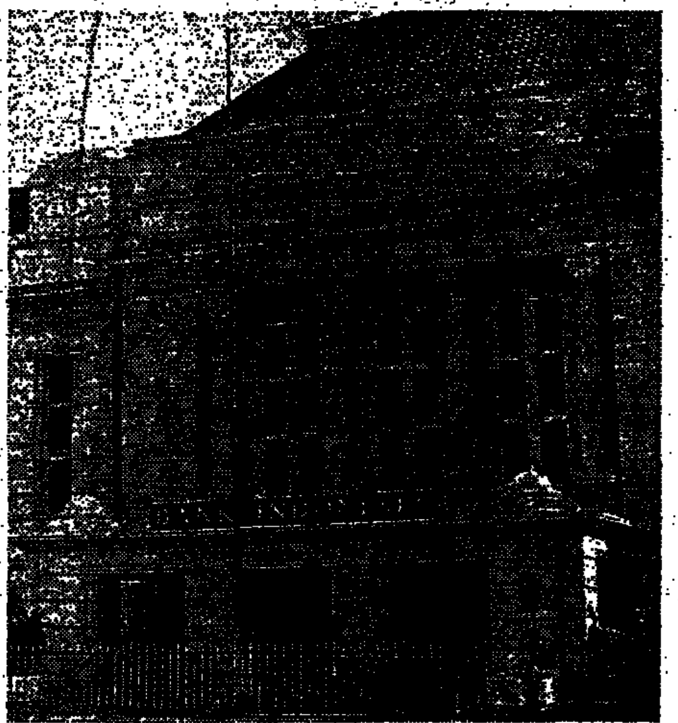
The reforms - the most recent in January affecting credit policy and lending to small business - have prompted a complete rethink of strategy.

The increased competition for funds has seen an exponential growth in savings. As a result, all banks are having trouble deciding whether to go for market share, the traditional path, or look to increase their profits.

For the state banks the problem is more acute as by law only part of their earnings can be retained, which leaves managers with little profit incentive.

Foreign banks, like the state banks, are suffering as their best staff are tempted away by the inflated salaries offered by new banks. For the small retail banks there is a mounting worry of overheating and a possible bank failure which could have knock-on effects for the entire industry.

The need for a more robust environment is overwhelming. Despite historically high interest rates, Indonesians' propensity to save has been pitifully low.



The Central Bank: overseeing increased competition and deregulation in a range of new banks amid rapid savings growth

Savings levels in fact fell from 28 per cent of GDP in 1981 to less than 20 per cent in 1986, in part reflecting the fall in the price of oil, the country's largest export.

Indonesian manufacturing meanwhile is close to capacity, and desperate for long-term investment funds as it switches to export lines in response to the government's recent incentives.

Indonesia is a vast underbanked country whose banking system remains a bewildering array of more than 100 separate institutions ranging from five state banks to 5,800 rural paddy banks and co-operatives.

As the World Bank points out, "over the medium term the sustainability of the investment and export drive will depend upon an increase in domestic savings." In turn, the Government's current dependence on foreign savings is a direct addition to the country's debt, now $50bn.

Structurally the need for reform is more urgent. At many state and private banks the quality of loan portfolios remain weak, and credit analysis rudimentary.

One economist estimated if state banks made provision for their bad loans it would wipe out the entire capital structure.

Since the first round of reforms in 1988, close to 30 new private banks have been licensed.

Foreign joint ventures have joined the throng, many of them formed with Japanese banks keen to tap demand for trade finance to support Japanese companies.

This highly lucrative market was hitherto dominated by Bank of Tokyo, the only Japanese bank with a full licence. A start has also been made to break the stranglehold of state banks, which still account for 70 per cent of banking assets.

The rest of the banking sector will now be able to compete for up 50 per cent of the savings of state enterprises. New rules on inter group lending have been introduced to discourage the cosy practice whereby the owners of private banks use depositors' funds to support their own business activities, often with few internal controls.

As ever, the challenge for policy makers is how to match domestic bank reform with the management of the country's external account, badly hit by the fall in oil earnings and the sharp increase in debt repayments resulting from appreciation of the Japanese yen.

Officials are also haunted by the spectre of capital flight in what is one of the developing world's most open foreign exchange regimes. On interest rate policy, Mr Adrianaus Mooy, the Governor of Bank Indonesia, jawboned the five state banks in February to lower prime lending rates.

Rates are now around 16 per cent, though still among the highest in Asia. Inter bank rates also eased to around 11 per cent.

Mr Mooy in his annual speech to Indonesian bankers urged them to bring interest rates to "more reasonable levels." There appears renewed confidence in the rupiah.

Despite the continuing depreciation against most major currencies, Indonesia's monthly import bill remains fairly constant. The only concern is that rising inflation could undo all the good work.

More than anything, the meteoric growth in savings has underlined the acute scarcity of sound corporate borrowers. Much of the credit activity is now targeted at Jakarta's booming construction sector.

An overriding fear is that a slight downturn in the economy could drive down land prices, currently rising under pressure from developers, and could precipitate more than just a real estate hiccup but a full scale bank crisis.

Seoul defers 'real name' capital gains tax reforms

By John Ridding in Seoul

SOUTH KOREA is set to postpone controversial financial reforms as part of new economic policy measures, a government official said yesterday.

A package of economic reforms, details of which will be announced later this week, will also include measures to stimulate investment and exports, although a reduction in bank lending rates is now considered unlikely.

More expansionary economic policies have been expected since a cabinet reshuffle earlier this month in which most of the incumbent economics team was removed.

The replaced ministers, headed by Mr Cho Soon, the former Deputy Prime Minister, were criticised for a slowdown in the economic growth rate and the poor performance of exports, which increased by only 3 per cent last year.

The official said that the new cabinet had agreed to shelve plans to force the use of real names in financial transactions.

Government analysts estimate that almost 10 per cent of such deals are conducted under pseudonyms.

The reform, which was intended to provide the basis of a capital gains taxation system and to reduce malpractice, has been strongly opposed by the large business groups which dominate the economy.

It has also prompted a flood of funds from the Seoul stock market, which has fallen by almost 8 per cent since the start of the year.

"Even though it was part of President Roh Tae Woo's election programme the current economic situation makes the real name system difficult to implement," said the official.

At the same time, the government will take measures to curb real estate speculation, which has been partly fuelled by the outflow of funds from the stock exchange. Such speculation has prompted a 32 per cent increase in land prices over the last year, according to the Construction Ministry.

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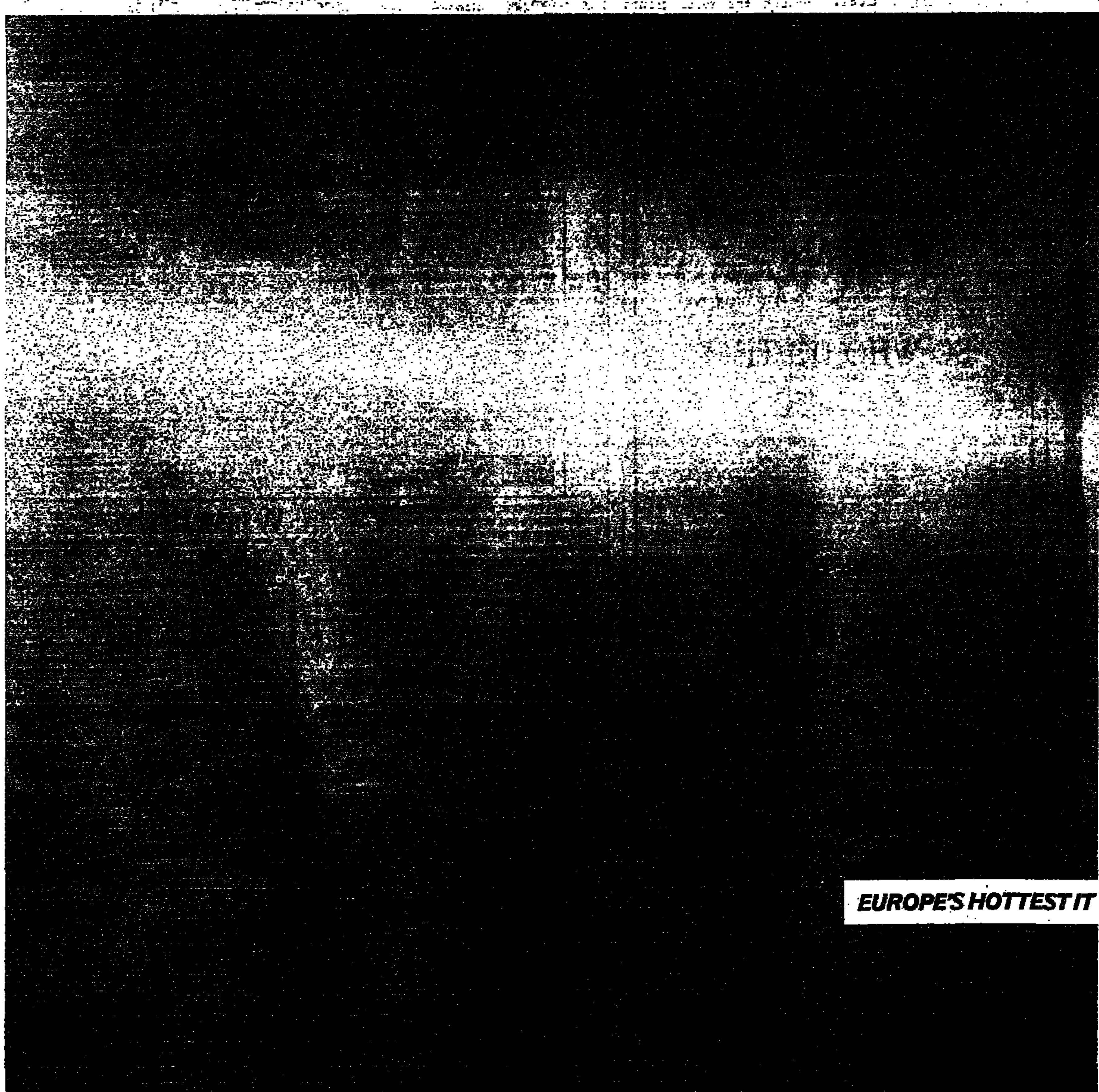

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UK NEWS

In Brief

Air France offers Paris to Cardiff service

Air France launched its inaugural direct service between Cardiff and Paris when AF 942 touched down in the Welsh capital. The French national carrier is to run a Monday to Friday service aimed principally at the business traveller, especially those seeking onward flights from Charles de Gaulle airport in Paris to other European destinations and those in Africa and Latin America.

Left's union victory

Left-wingers retained control of the national executive of the Transport and General Workers' Union in a second postal ballot of the union's 1.3m members following an alleged attempt to rig the first vote.

They gained an extra seat to hold a majority of 22 votes to 17, instead of the previous 21-18 majority. The balance of the TGWU executive is important to Labour Party policy because of the union's 1.2m block vote. The left managed to hold its majority in a turnout of below 20 per cent.

Money for science

More money is being spent on science and less on overheads, as a result of a major restructuring of the Agricultural and Food Research Council, now virtually complete. This was acknowledged yesterday when the council produced its corporate plan for the next five years. It has re-organised 24 major research centres into seven world-class institutes which are now seeking closer ties with comparable European and US research centres.

Trust opposes depot

The National Trust is to oppose a proposal by British Aerospace to build an aircraft repair depot at Liverpool Airport as part of the company's £1.2bn plan to develop the airport into a significant European hub.

The trust opposes the plans because the depot, which might be worth up to £60m and large enough to hold three Boeing 747s, would be about 350m from Speke Hall, one of Britain's most important half-timbered buildings.

Return to public ownership to be 'high priority'

Opposition plan for water industry upsets markets

By Richard Evans and Andrew Hill

AN OUTLINE of the Labour Party's plans for Britain's privatised water industry, should it gain office at the next election, yesterday unsettled both water shares and the industry's leaders.

Mrs Ann Taylor, Opposition spokesman on water, told a Financial Times conference in London on the European water industry that the present regional structure of the industry would be retained but a return to public ownership would be a high priority.

However, because of the weight of legislation that an incoming administration would want to introduce, full-scale re-nationalisation would probably not be an early option.

As an interim measure, she said a Labour government would make maximum use of enabling provisions already in the Water Act, which give the director-general of water services, the industry regulator, wide powers to intervene in pricing strategy.

Ann Taylor

Mrs Taylor said a Labour Environment Secretary would instruct the director-general to take a much tougher attitude on "cost pass through," the mechanism under which companies can increase their charges to take account of new costs that cannot be estimated at present.

The director-general would also be instructed to institute the "cost takeaway" provisions built into the charging agreements with the companies, which claw-back excess profits.

"The director-general would be under no duty to assume a rate of return to shareholders and all excess revenue would be ploughed back for investment," Mrs Taylor said in a speech which gave greater detail of Labour's plans that had previously been known.

The Labour statement was blamed for later weakness across the whole stock market. The FT-SE 100 share index rose more than 23 points in the morning, breaching the 2,300 level for the first time in five weeks. But following heavy afternoon trading in the shares of all 10 water companies, it closed at 2,298.2 up 14.3 points.

The water package – a weighted selection of shares in all 10 water companies – dropped from £1,603 to £1,560.

Lawson adds to pressure on Thatcher over EMS backing

By Michael Cassell, Political Correspondent

MR NIGEL LAWSON last night added to the mounting pressure on Mrs Margaret Thatcher to seek early, full membership of the European Monetary System by warning that continuing delay was putting the Government's entire anti-inflation strategy at risk.

The former Chancellor, speaking during the last day of the parliamentary debate on the budget, said sterling had been reduced in value by about 5 per cent since interest rates reached 15 per cent last autumn. Any further drift would jeopardise the Government's fight against inflation.

Mr Lawson said he believed Britain should have joined the EMS exchange rate mechanism some time ago and added: "The whole of the Government's commitment against inflation is potentially at risk. There is an exposed flank here."

He said he welcomed the commitment of Mr John Major, the Chancellor of the Exchequer, to a strong exchange rate but added: "It may be that words alone may not be enough."

Mr Lawson's remarks came as Mr Michael Heseltine, the former Defence Secretary and a possible future leader of the Conservative Party, issued a deftly-worded statement expressing his support for Mrs Thatcher.

It came in response to a suggestion earlier in the day from Sir Geoffrey Howe, the Deputy Prime Minister, that Mr Heseltine should make public his backing for the Prime Minister.

Mr Lawson's comments, made in the presence of Mr Major, represented his firmest public statement on the merits of early entry to the exchange rate mechanism since he resigned as Chancellor in October.

His views about the advantages of full membership are well known but the timing of his public intervention will provide further ammunition for senior ministers such as Sir Geoffrey, and Mr Douglas Hurd, Foreign Secretary, who share his position.

Mr Major has said he is an enthusiastic supporter of ERM membership and that he will not delay once conditions set out at last year's Madrid summit have been met.

In his statement, Mr Heseltine repeated his assertion that Mrs Thatcher would fight and win the next general election.

GUINNESS TRIAL

Directors were 'well aware' of legal rules

By Raymond Hughes, Law Courts Correspondent

GUINNESS directors were well aware during the company's takeover battle for Distillers that it was a criminal offence to permit a company to give financial assistance for the acquisition of its own shares, the company's former legal adviser said yesterday.

Mr Anthony Salz, a partner in City solicitors Freshfields, said that although he had never referred to criminality – he had spoken only of unlawfulness and illegality – he was quite sure that directors had known about criminal sanctions in relation to breaches of section 151 of the 1985 Companies Act.

Mr Salz was giving evidence in the trial of Mr Ernest Saunders, former Guinness chairman and chief executive, Mr Gerald Ronson, Heron group chairman, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier.

The four have denied charges arising from an allegedly unlawful share support operation mounted by Guinness during its 1986 takeover battle for Distillers.

Mr Michael Sherrard, QC, for Mr Ronson, said that Mr Victor Steel, a Guinness director, had said in evidence that he could not recall section 151 or directors' personal liability being mentioned.

Did Mr Salz think, on reflection, that he had made himself clear on the matter, Mr Sherrard asked.

Mr Salz replied that he thought he had.

Had Mr Salz ever warned the directors to be very careful about offering indemnities, rewards or success fees to those who supported Guinness's share price, and to keep the lawyers informed so that the necessary disclosures could be made under the City code ? Mr Sherrard asked.

Mr Salz replied that he had given no such warning, but, he said, he had had no doubt that Guinness directors and advisers were well aware of the code requirements.

The trial continues today.

BROOKLANDS: The motor track which staged the first British Grand Prix was opened in 1907 and was the home of British motor sport for 30 years. In its heyday, it was the scene of many record breaking attempts until its closure during the Second World War.

BAe races ahead to develop old Brooklands motor track

By Paul Cheeseright, Property Correspondent

BRITISH Aerospace's attempt to use the old Brooklands motor racing track near Weybridge, Surrey, for a large property development jumped a legal hurdle yesterday when the High Court quashed local authority objections.

But the form of the development is likely to depend largely on how a planning consent given 40 years ago to Vickers-Armstrong, one of BAe's aircraft manufacturing predecessors, is interpreted.

BAe is pursuing its property plans at Brooklands through a joint venture with Trafalgar House, the shipping, construction and property group.

The site in total is 350 acres. The old motor racing track ran round the perimiter and the only undeveloped part of the site is a 120 acres central strip which used to be the runway for the aircraft factory.

In the High Court yesterday, Mr Justice Hodgson overruled the arguments of the Elmbridge Borough Council and Surrey County Council, both of which wanted to keep this central strip undeveloped.

The County Council was given leave to appeal, a move it was considering yesterday.

But this old consent is for an industrial development. Yet the BAe-Trafalgar House joint venture plans, but has not yet designed, leisure facilities and business space. So it will have to negotiate this change with the local authorities.

Vickers-Armstrong had apparently intended to keep green and undeveloped at least a third of the total Brooklands area.

The Brooklands site is one of several owned by BAe which have become surplus to its manufacturing needs.

Third Channel Tunnel safety fine

By Andrew Taylor, Construction Correspondent

THE FIVE British construction companies responsible for constructing the UK end of the Channel Tunnel have been fined a total of £50,000 for failing to take reasonable steps to ensure the safety of the tunnel workers.

It is the third time the five companies have been fined over safety issues affecting the tunnel.

Balfour Beatty Construction, Costain Civil Engineering, Tarmac Construction, Taylor Woodrow Construction and Wimpey Major Projects yesterday pleaded guilty at Maidstone Crown Court to charges by the Health & Safety Executive that they had breached the Health and Safety at Work Act.

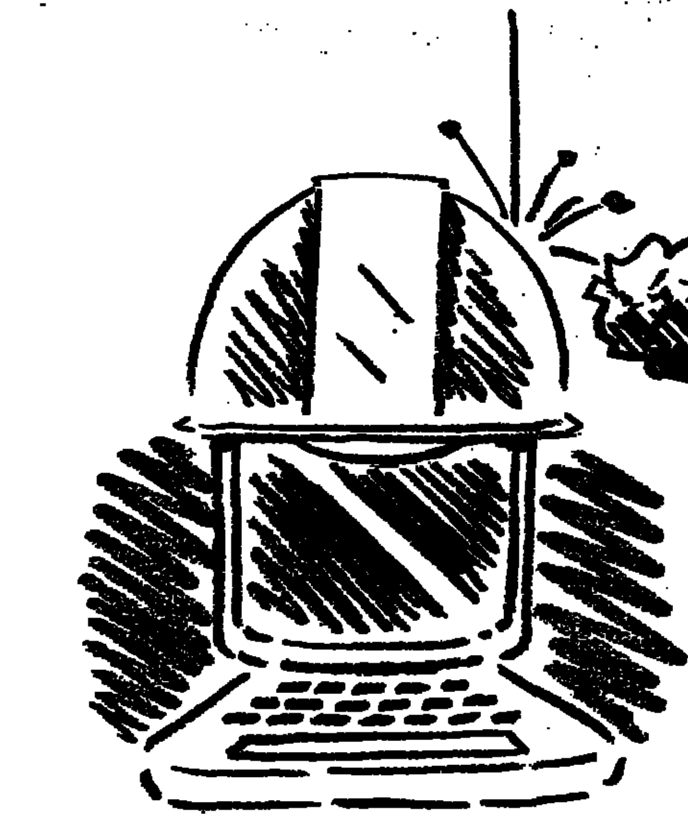
Mr Timothy Briden, prosecuting, told the court that the death of a fitter last year had brought to light serious flaws in safety procedures at the tunnel. Mr David Simes had been crushed by an overhead travelling crane on February 6.

The executive did not claim that failure to comply with the Health and Safety at Work Act had caused Mr Simes' death but that its investigation into the accident had shown safety procedure shortcomings.

Mr Justice Felix Waley imposed fines of £10,000 on each contractor. He also awarded costs of £6,948 against the construction companies.

The court heard that in the early hours of February 6, a charge-hand and a gang of four fitters, including Mr Simes, had tried to fit a new roller on to a conveyor belt. Mr Simes, after starting to work on the roller, was replaced by another fitter.

Mr Simes, the fourth British worker to die on the Channel tunnel project, was killed several hours later when he inexplicably returned to the site of the roller after the work had been abandoned. The court was told that one of his tools was found close by.



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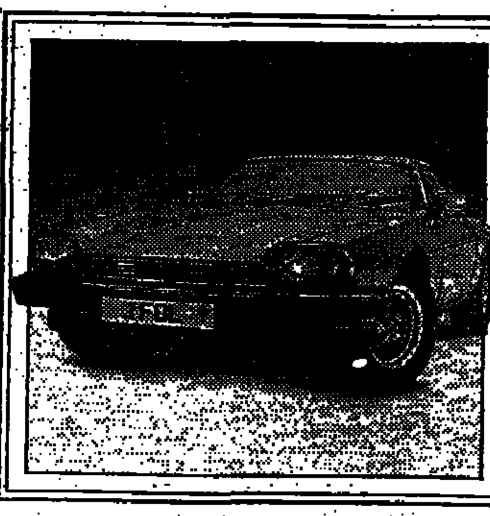

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UK NEWS

Cost of retaining 130 private companies attacked

Labour says advisers on power sell-off paid £100m

By David Thomas, Resources Editor

MORE THAN £100m is being paid to 130 companies to advise the Government and the electricity industry on electricity privatisation, according to figures released yesterday by the opposition Labour Party.

Mr Frank Dobson, Labour's energy spokesman, also stressed that a Labour Government would strengthen controls over the privatised electricity industry, but would not return it to public ownership.

Price Waterhouse leads the league table of electricity privatisation advisers with 15 contracts, according to Mr Dobson's figures. Coopers Lybrand Deloitte has 11 contracts, Putnam, Hayes & Bartlett 7, and Rothschild and Touche Ross 6 each.

The Department of Energy has disclosed that it is spending £36m on privatisation advice, although it said yesterday it did not know the total cost of privatisation fees. Mr Dobson derived his £100m estimate of the total cost from the department's figure.

"This is a system of outdoor relief for the consulting classes," said Mr Dobson, who argued that the cost would be born by electricity consumers throughout the country.

Mr Dobson also alleged that the Department of Energy had not followed full tendering procedures when awarding contracts to advise it on electricity privatisation. The Department said yesterday that it invited bids from firms known to the Government from previous privatisations.

Turning to the prospects for the electricity industry in the event of a Labour Government, Mr Dobson said: "we have no commitment to renationalise the electricity industry."

He said a Labour administration would tighten regulatory controls over the industry to ensure that it moderated price increases, improved its impact on the environment, helped Britain's balance of payments and ensured security of supply.

Mr Dobson was relaxed about the possibility that these policies would depress the value of shareholdings in the privatised electricity companies. He argued that the Government was planning to underprice the electricity industry substantially in order to guarantee a successful flotation.

He also questioned whether it would be easy for the Government to sell National Power and PowerGen, the two generators in England and Wales.

Mr Dobson suggested that speculation about the timing of a General Election would be intense by early 1991, when the two generators are due to privatisation. "It is extremely dubious whether private investors would want to become involved in the generating side a year from now," he said.

● The Government is to be challenged today by the Labour Party to disclose more information about the liabilities facing Nuclear Electric, the new public sector company which will be responsible for running nuclear power stations in England and Wales.

Mr John Wakeham, Energy Secretary, proposed this month to give Nuclear Electric guarantees of £1bn to cover its liabilities, which are largely connected with the costs of decommissioning nuclear power stations.

However, Mr Dobson intends to write to Mr Wakeham today to challenge the Government to publish further information on Nuclear Electric's liabilities.

'Losers only' in new business rate system

Ian Hamilton Fazey reports on the growing concern amongst businesses in the north

CONCERN IS growing in the North of England that the benefits businesses in the region were supposed to reap from the introduction of the national uniform business rate (UBR) will not be felt until the next century. The UBR, together with the new controversial community charge, or poll tax, are to replace the old rating system.

Business leaders believe that protests will increase as companies receive their UBR demands, which will show how much they would have paid, had the system been implemented in full rather than phased in.

Mr Simon Sperryn, chief executive of the Manchester Chamber of Commerce, said: "The Government talks about winners or losers, but there should be no winners or losers under UBR: everyone should be equal. At the moment there are only losers."

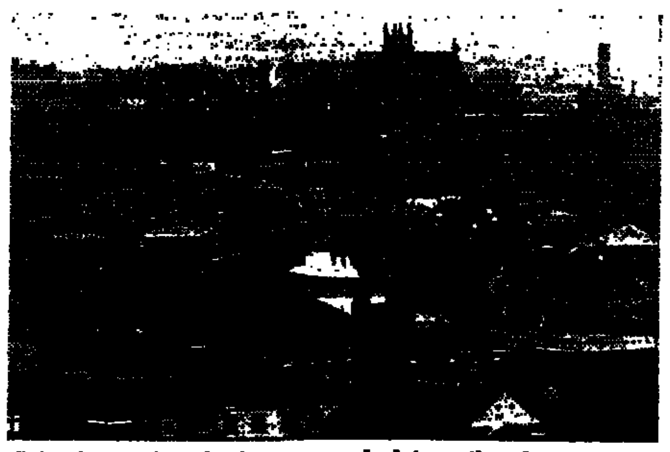
Broadly speaking, businesses in the north and Midlands have been paying too much in locally-set rates, while those in the south and south-east have been underpaying – a distortion estimated by the Government at £850m for 1988-89, and which the Chamber of Commerce said has risen to £1bn in the present financial year.

The UBR system, combined with this year's revaluation of all business premises, is designed to correct these imbalances and has been welcomed in principle by chambers of commerce and the Confederation of British Industry. But putting the principle into practice is causing dissent.

UBR is designed to ensure that all businesses pay the same rate in the pound wherever they are. Individual bills are supposed to vary only with rateable value – so businesses with bigger premises will pay more, as will those operating from more valuable buildings. Generally, retailers will pay more, manufacturers will pay less. Businesses in the north and Midlands should pay less, those in the south and south-east should pay more.

But the phasing-in of the system has upset those who stand to gain from it just as the potentially large increases have upset the losers – mainly businesses in the south and south-east and retailers in all areas. No loser is to be faced with an increase of more than 20 per cent in real terms on the previous year, but the phasing is to be self-financing, so gains will not be immediate.

With inflation at 7.5 per cent, the maximum increase any business can face in the first year of the new system is, therefore, 29.12 per cent. Reductions for the gainers will be at a level decided year by year – 10.5 per cent in real terms this year, a cash reduction of 3.7 per cent.



Gains for northern businesses may be later rather than sooner

There is no timetable for when the gainers should be paying what they ought to. Next year's phased reduction will be 13.5 per cent – a reduction of less than 10 per cent even if inflation is brought down to 5 per cent in 1991.

Some northern businesses have expressed delight at a rates reduction of any sort after decades of rises but Mr Sperryn believes the picture will change when managers realise how much they are missing out.

Business rate demands will carry details of what the rates bill would have been without phasing. The purpose of this was to prove to the losers that they were being cushioned but some gainers will see their rates reductions should have been between up to 70 per cent.

The Government is trying to help smaller companies – defined as those with a rateable value of less than £10,000 – by giving them reductions of 15.5 per cent in real terms of their present rates for 1990-91 and 18.5 per cent in 1991-92, when larger companies will get 13.5 per cent.

Mr Sperryn says: "This is not an issue of size. The smaller businesses are just as annoyed. I don't think that people are so much upset about the numbers as about the justice of the thing.

"We all want a system that taxes everybody fairly and we want it now. The business community would have accepted even higher rates if it had been fair because we want fair competition. But what we are getting is not fair."

New businesses in areas which stand to lose under the new system will pay the full UBR due. Any manufacturer contemplating a new factory would do well to relocate in the north where, because it would get the full effect of the UBR gains, it ought to be able to gain over both southern and northern competitors at the same time.

The issue is also connected with the poll tax in a way no one seems to have envisaged, because councils have to pay business rates too.

Public buildings have been well maintained and their rateable values have rocketed. So rates bills for local authority assets – which poll tax payers will have to pay – have risen dramatically.

Mr Sperryn says: "At the Manchester Chamber we have already told one Minister that if the Government is interested in the next election, it is going to have to hang on to its friends. At the moment it is losing them."

Glaxo chief calls for revision of European drug patent rules

By Peter Marsh

WESTERN Europe's pharmaceutical industry badly needs a revision of patent laws in the region to enable companies to gain greater revenues from costly development programmes, Sir Paul Girolami, chairman of Glaxo, Britain's biggest drugs company, said yesterday.

Speaking at a Financial Times conference in London on world pharmaceuticals, Sir Paul said changes in the European patent system were required to give a longer period of legal protection to new drugs and to compensate the industry for lengthy development times.

The European Commission has recently published proposals as to the patent period for drugs and, assuming these proposals are ratified, drug companies would have an extra time of perhaps two years of legal protection for new products.

That would add to the existing effective patent life – taking into account only the time left for marketing and not including the development period – for new medicines of roughly nine years at present.

Sir Paul said schemes of patent extension for medicines had already been introduced in the US and Japan. "It cannot be right or sensible for the European Community to lag behind," he said.

The Glaxo chairman, whose company has grown rapidly in the past decade to become the world's fourth biggest medicines group, said Glaxo was preparing for the 1990s by increasing its research and development budget and basing more of this work outside the UK.

The theme of getting more value from R&D outlays – which for the pharmaceutical industry as a whole adds up to roughly 15 per cent of total turnover – was touched on by several other speakers at the conference.

Professor Jürgen Drews, head of research at Hoffmann-La Roche, the Swiss drugs company, said the medicines industry had to create an open structure for researchers to provide for maximum innovation and spontaneity.

At the same time, it had to mesh this philosophy into a commercial framework in which scientists aimed their work at specific business goals.

Managing such a structure was not easy, said Professor Drews. There was a need for inter-disciplinary working and for plenty of communication between the different parts of companies to smooth the flow of ideas.

Mr Bertil Tiusanen, chief financial officer at Pharmacia, the Swedish drugs and biotechnology group, said pharmaceutical companies had to become more efficient at R&D.

The drugs industry worldwide was probably the most profitable of all major businesses, but during the 1990s margins would come under pressure due to increased research and marketing costs and a demand from consumer groups and governments for reduced drug prices.

Mr Tiusanen said one solution was to organise R&D on a project basis with economists, not just scientists, having a large say. "This will eventually lead to pharmaceutical development becoming more of an industrial process rather than a black art," he said.

Doctor Andrew Bodner, chief operating officer at the US-based Squibb Institute for Medical Research, said research alliances between drug companies and academic groups would become increasingly important. Dr Bodner's institute is owned by Bristol-Myers Squibb, the US company which is the world's second biggest pharmaceuticals business, and funds work in several academic establishments.

Dr Bodner said that by such relationships drug companies could stay abreast of new basic discoveries in medicine and forge ties with the scientific community.

Turning to the recent spate of mergers and collaborative corporate deals in the drugs industry, Mr John Chappell, chairman of the pharmaceutical division of SmithKline Beecham, said that larger drugs groups could not be relied on to come up with better research results than small companies. Mr Chappell's company was formed last year by a merger of SmithKline Beckman, of the US, and Britain's Beecham.

Professor Trevor Jones, head of research at Wellcome, the UK medicines company, pointed to the inefficiencies that can result in drug development from delays in the pharmaceutical registration process.

FT CONFERENCE
WORLD PHARMACEUTICALS

All new drugs have to comply with increasingly tough licensing procedures insisted on by government registration authorities to minimise potential safety problems.

Sometimes, Professor Jones said, requests by the authorities for information on how a drug was likely to work were "excessive."

He said that significant delays could occur between taking a new drug from the research phase based on animal studies to the stage where trials of the product started in human volunteers. That could slow down the progress of getting new drugs on the market.

Dr Anthony Martel, vice-president for marketing at the pharmaceuticals division of Rhône-Poulenc, the French state-owned chemicals company, said the drug industry world-wide still had to face many new needs. For instance, there was much to do in bringing up mortality rates around the world to levels experienced in Western Europe.

The issue of how the drugs industry in the European Community would be regulated after the planned elimination of trade barriers in 1992 was discussed by Mr Robert Hankin, an official from the internal market directorate at the European Commission.

He said that licensing procedures would involve a mixture of centralised systems whereby decisions over new drug licensing would be made in Brussels, together with other procedures where similar decisions would be left to the individual countries.

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TECHNOLOGY

Andrew Jack reports on a printing process that prevents readers from getting covered with ink

Black and white and clean all over

In a recent television advertisement running in the Bay area of California, William Randolph Hearst III is sitting alone in his office. As publisher of the San Francisco Examiner, he can boast of a weekend entertainment section, neighbourhood reports and (as an afternoon paper) closing stock prices. What more can he do?

He puts his hands down on an open copy of the paper, lifts them to his face in an intellectual pose, and then removes them. His fingers leave behind an all too familiar smudge of black ink across his cheeks. What he needs (and has offered since February of this year) is a paper with non-rub ink.

Traditionally, most newspapers in North America have been printed by letterpress. When the machinery needs replacement, many publishers have turned to offset, which now comprises 61 per cent of the market for papers with a circulation of greater than 25,000.

But the San Francisco Examiner is one of more than 30 newspapers across North America that has adopted a printing technology called flexography. By 1995, some industry experts predict than "flexo" will absorb 20 per cent of the market.

The traditional letterpress process works by transferring ink through a series of rollers – called the ink train – on to the raised areas of a hard printing plate. The plate is attached to a plate cylinder, which rotates against an impression cylinder. The paper passes between the two cylinders and ink is pressed on to it from the raised surfaces on the plates.

Offset also uses a series of rollers to pass ink on to a flat plate cylinder. The image to be printed is in the form of a greasy coating on the plate. Water is sprayed on, but only remains in the non-greasy areas. As the cylinder rotates, it picks up ink, which is repelled from the damp areas and sticks to the greasy ones. This image is then transferred to a rubber blanket cylinder, which imprints it on to the paper as it rolls past the impression cylinder.

Flexo is a type of letterpress, because it uses a relatively soft photo-polymer plate to provide a raised image, with a height of 12 to 22 thousandths of an inch. These flexible plates, and the variety of materials that flexo can print on, give the technique its name.

'Having a paper with ink that doesn't come off was something the public could understand and appreciate'

While traditional letterpress and offset printing require oil-based ink, flexo uses water-based varieties. As a result, the ink train mechanism – which mills the viscous, paste-like ink during transport – is not required. Instead, a single "anilox" roller transmits the even film of ink sprayed on to it directly to the plate cylinder.

While normal letterpress makes a firm imprint, the flexo plate barely touches the paper, "kissing" it at an ideal distance of three-thousandths of an inch. The ink dries in milliseconds, without being absorbed by the paper underneath. The result is an impression which does not rub off. In contrast, oil-based ink never really dries, but remains suspended and smudgeable.

It was this advantage that Christopher Storm, Marketing Director for the San Francisco Examiner, capitalised on in the paper's recent advertising campaign. "We felt that having a paper with ink that doesn't come off was something the public could understand and appreciate," he says.

But the transition to flexo was also influenced by a growing trend towards the use of colour in newspapers. According to Deputy Managing Editor Pamela Scott, "the non-rub ink was coincidental. We chose flexo because it has much better colour reproduction. When the process works well, it offers the crispest impression and the best, most intense colours.

"Because the black appears so much more solid and dark with flexo, we were worried that readers would otherwise be even more concerned about the risk of ink rubbing off on their hands." Another advantage, which appeals to advertisers, is that the light impression causes little "show-through" of ink on to the opposite side of the paper.

The transition to flexo was influenced by a growing trend towards the use of colour in newspapers

One of the earliest newspapers to experiment with flexography, seven years ago, was the Providence Journal in Rhode Island. "We had letterpress and needed to change," says Robert Shadrick, Director of Operations. "We felt that with offset it was difficult to get a consistent colour." The oil from the offset process dirties the paper and reduces the vibrancy of colours.

Over the past decade, "the environmental laws have been getting tougher," adds Shadrick. "It's costly to dispose of oil-based inks." The solvents used to wash off excess ink create a severe pollution problem, which does not occur with water-based inks.

Flexo has other economic advantages, too. The gentle imprint means that lighter weight paper can be used; paper waste tends to be less than with other printing techniques; the elimination of an ink train reduces the cost of rollers; and the presses require fewer operating staff than offset or letterpress.

An analysis conducted for the Buffalo News, a daily paper in upstate New York with a circulation of 310,000, showed a complete flexo as costing $1.98m annually, against $3.9m for offset.

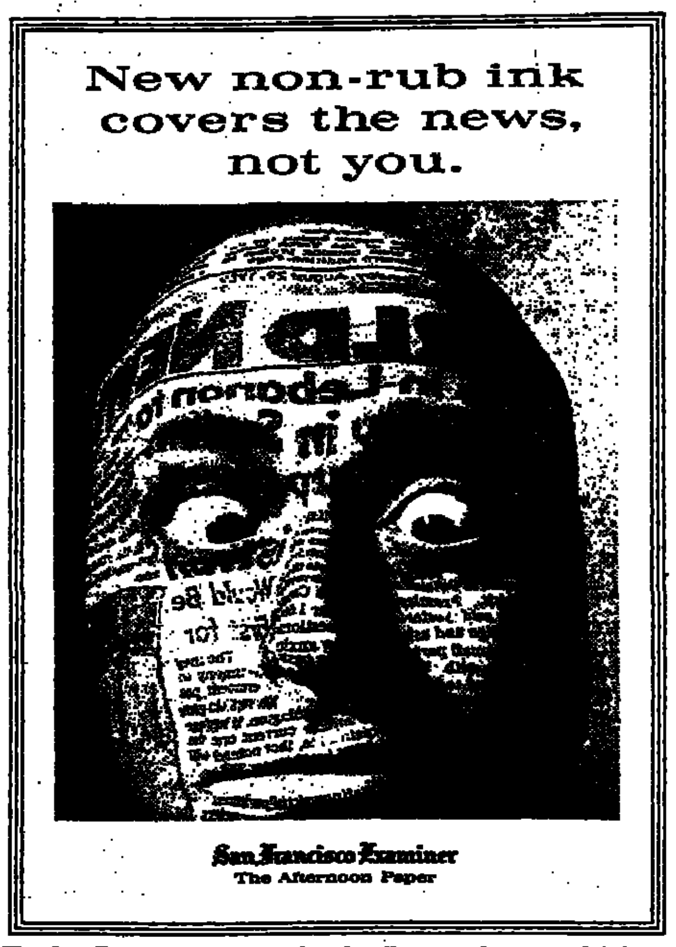
Water-based ink is not without drawbacks, however. The organics in some ink formulations cause the flexo plates to swell, and manufacturers have had to remove them.

"There is a very tight window for the ink to dry in as it is transferred on to the paper," explains Mike McPherron, Customer Engineering Manager with Union Carbide Coatings Service Corporation, which manufactures flexo anilox rollers.

If the ink dries too slowly, it may be smudged on to the next roller as the paper passes, causing "second-impression set off," which results in blurring and distortion. The drying speed has to be manipulated by changing the ink resins.

Another problem, though not unique to flexo, is "plugging". The gaps between the raised areas on the printing plates become clogged if the ink dries too fast, causing extra ink to be added to the image being printed. This impairs the quality of half-tones in pictures and diagrams.

"Second-impression set off and plugging are problems for us," says the Providence Journal's Robert Shadrick. "We're on a learning curve, altering our ink formulations."



The San Francisco Examiner's advertisement for non-rub ink

"We are having the normal mechanical and electrical start-up problems that any new press has," says Larry Ingram, the Examiner's Production Manager. "Flexo is a new process which is not widespread, so there are things which can be further optimised.

"The printers are having to do a lot of staff training," he adds, "and we are still trying to find anilox rollers with a longer life." As an industry, flexo printing does not yet have standardised colour books, so there is considerable variation in the strengths and values used.

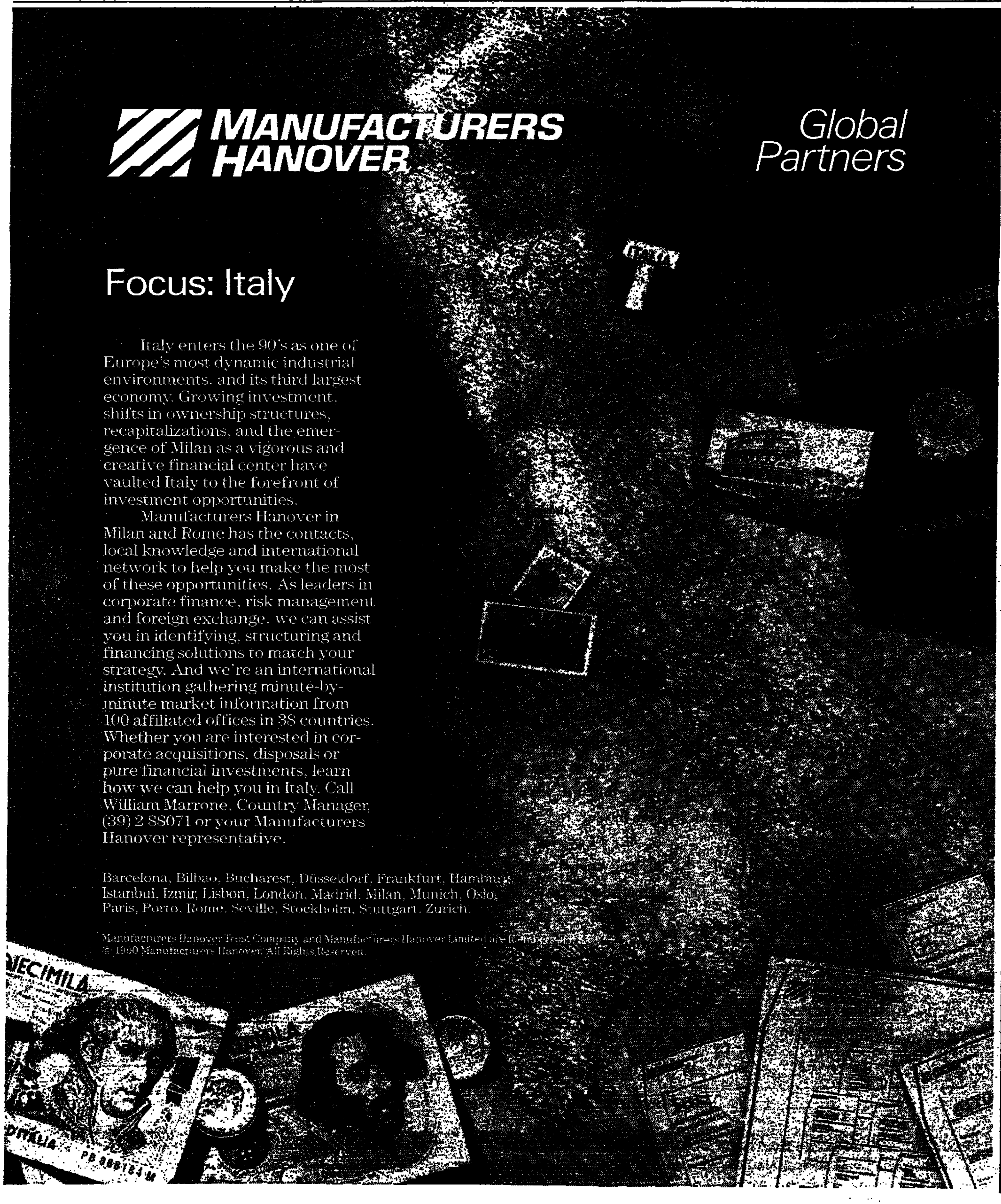
Given that primitive forms of flexography have existed since the late 19th century, why has the technique spread so slowly to newspapers? "It doesn't directly transfer," says Shadrick. "Newspapers require very quick printing, on both sides of the paper."

Andy Schipke, Director of flexo operations worldwide for the New Jersey-based press manufacturer MAN Roland, argues that no big technological breakthroughs were required, however. "The price of offset presses became astronomical during the last 10 years," he says. As a result, newspapers began to examine other techniques, and "flexo was the theoretically perfect alternative," which is now being tried within the industry.

"At the moment, we're in a two-year cycle," says Don Phillips, from Flint Ink Company of Detroit. "A lot of people are now sitting back to see how flexo works."

Flexo is less common in Europe. In the US, "the quality requirements are higher, the environmental pressure is greater, and the higher run lengths and different configurations of newspapers make the cost advantages greater than in Europe," adds Schipke.

In the meantime, the only protection against smudging ink may be to duplicate a marketing tactic tried by the New York Times a few years ago, which offered white cotton "gloves of the Times" to its readers, to be washed daily. They did not catch on.



Rapid fire for harder surfaces

AN AUTOMATED gun which discharges particles at supersonic speeds can improve the wear resistance of industrial components.

Union Carbine of the US has developed the gun to produce harder surfaces. The Super D-Gun detonates oxygen and acetylene gas at up to 4,000 deg C to produce a high-speed gas stream. This heats powdered particles to become plastic prior to high-speed discharge for coating components.

A controlled progression of rapid fire detonations, as the gun barrel passes automatically across the work surface to be coated, builds up a coating to a specified thickness.

The gun is an improved version of the original Union Carbide D-Gun. It has higher gas pressure than its predecessor, allowing coatings to be fired at a greater velocity. The company claims the coating is tougher and smoother with better resistance to erosion and impact than the original.

Supplementary cooling ensures that the temperature of the surface remains below 150 deg C, thus avoiding distortion and metallurgical changes.

Lessons from the natural world

SIXTEEN sealed chambers known collectively as an ecotron are to be built to study man's effect on the natural world and how he threatens the environment.

The chambers, designed by architects C.A. Cornish, will be constructed at a new research Centre for Population Biology at the Imperial College Silwood Park Campus, Ascot, under a 10-year grant from the Natural Environment Research Council.

The two-metre square chambers will enable scientists to simulate climates which can be controlled and to monitor plant and animal communities and record their response to disturbances.

It is believed that the research will lead to a better understanding of the dynamics of plant and animal interactions.

The results can then be applied to natural systems influenced by man, including where pollutants affect plant and animal populations and where pests and infectious diseases are to be controlled.

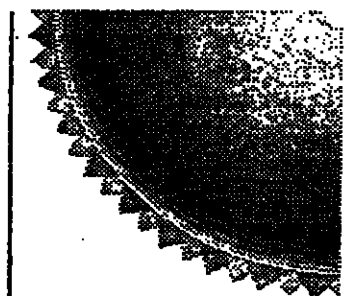
The hologram's optical illusion

HOLOGRAPHY is being used in optical computers under a research programme by British Aerospace, at its Bristol research laboratory.

One result is a holographic array that enables parallel optical interconnections to be made between logic processors.

The design of an optical computer requires the digital light signal outputs from its optical logic units to be supplied as inputs to other optical logic units.

The holographic array enables these interconnections to be made across space, with no intervening physical link. A hologram diffracts light passing through it. A light beam will appear as a pattern of spots on a screen on the far side of a hologram.



WORTH WATCHING
by Lynton McLain

The design of the hologram determines the pattern which directs light along different paths. This property is used to divide and direct a light signal along one or more desired paths.

Power of the spoken word

A NEW development in speech technology which uses human voices with local dialects will help people who are unable to speak, or whose speech is impaired.

The HeadStart Voice Box is described by BIT 32 – which runs the HeadStart Development Project for applying computers to the problems of the disabled – as the nearest thing to having the ability to speak.

The box uses a computer programme and a digital recorder to enter spoken words and phrases into a HeadStart workstation or Macintosh computer.

The box can play back these samples, separately or sequentially, to build up a phrase or sentence. It can also use the Macintosh voice synthesiser to deal with words or phrases which do not have a sampled equivalent.

Twinkle, twinkle little star

ASTRONOMERS may have found the faintest object in the sky, a brown dwarf star that is 900,000 times fainter than the sun.

The star is so faint that people gazing upwards for the faintest star in the heavens are unlikely to have any twinkle in their eyes. The star is 30 per cent fainter than the one thought previously to be the faintest object in the heavens.

The star was discovered by Mike Hawkins of the Science and Engineering Research Council's Royal Observatory in Edinburgh by examining photographic plates taken with the Schmidt Telescope at Siding Spring Observatory in Australia. Each plate contained 100,000 stars.

Brown dwarf stars are very red and cool and contain so little mass that hydrogen burning nuclear reactions, which power all stars, cannot occur within their interior.

The Research council says that studying brown dwarfs is of particular interest because they might be the most common objects in the universe.

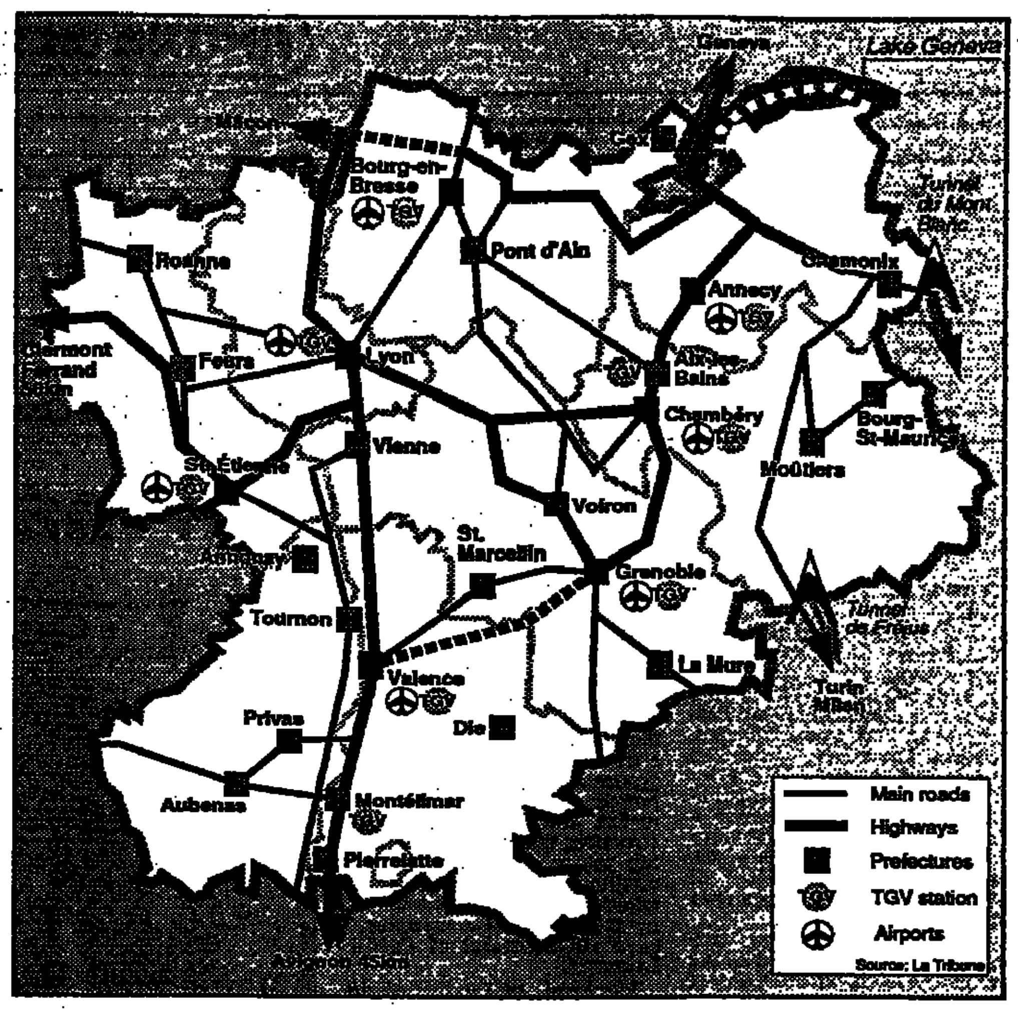
Contacts: Union Carbide Coating Service (Europe): UK, 0793 512555. C.A. Cornish and Associates: UK, 01 253 8692. British Aerospace: UK, 01 389 3939. BIT 32: UK, 061 227 3232. Science and Engineering Research Council: UK, 0793 411257.

FINANCIAL TIMES SURVEY

The creation of a single European market is encouraging Rhone-Alpes to become the main centre of economic and political power outside Paris. **William Dawkins** tells how the region is trying to build links with foreign neighbours

A spirit of independence

Lyon: hub of European road and rail networks



RHONE-ALPES

TO THINK of Rhône-Alpes merely as France's biggest region outside Paris is to do it a disservice.

The picture no longer fits. Today, Rhône-Alpes, is becoming a vigorous example of an area that believes the European single market will only work on the back of co-operation between regions, irrespective of what passes between national capitals. Ironically, the creation of a single market is encouraging the region, like many of its European neighbours, to try to pull more decision-making power from a central government which it has always felt has interfered too much in local affairs.

The efforts of the region's internationally-minded leaders are today directed harder than ever at building political, infrastructure and business links with foreign partners. West Germany's Baden-Württemberg, Lombardy in Northern Italy and Catalonia in Northern Spain signed a co-operation accord two years ago, of more political than practical importance, but already beginning to bear fruit in the form of joint discussions on future express rail routes and co-ordination of trade fairs.

The region is helped by a confident new generation of right-wing opposition political leaders, plus a well-balanced export-oriented economy, which continues to turn in a trade surplus while the nation as a whole is in deficit. Its top industrial players, such as Renault Véhicules Industriels, France's main truck-maker, Rhone-Poulenc the chemicals group, and Institut Mérieux, the world's largest vaccines producer, have all been forming international alliances and enter the 1990s with their profits and ambitions increasing.

"The single European market offers us a great opportunity to break the centralisation of Paris," says Mr Jean Chemain, president of Aderly, Economic and Industrial Development Agency for the Lyon Area. He cites as an example the recent relaxation of national controls on foreign investment, which now means the region can for the first time negotiate directly with foreign companies. "This is a region with direct links with the exterior, connections which no longer have to pass by Paris. A decentralised way of doing things – that is what Rhône-Alpes is in the process of giving birth to," adds Mr Alain Carignon, mayor of Grenoble, which has made fast progress towards becoming an important European research centre.

The previous Socialist government did attempt to make a breach in France's several-hundred-year-long centralising tradition, in the form of a 1982 law devolving more power to local authorities. But this has been widely criticised for having little real impact, so leaving it to strong local politicians to enlarge their powers, piecemeal where they can.

In the past, Rhône-Alpes' very size and diversity was a handicap in attempts to agree on coherent ways to pursue its interests. It stretches from the snowfields of the Alps across the hills of Beaujolais, down to the arid Drôme. Larger in area than Belgium, its 5.2m people represent one tenth of the French population and produce just under a tenth of the country's gross national product (GNP), making it the most powerful economic centre outside the national capital.

But like Belgium, it has no real collective identity, reflected in the fact that until recently Rhône-Alpes had two regional chambers of commerce. Not surprisingly, it has been hard to unite the priorities of, say, a town like St Etienne, re-adjusting its economy to the death of its traditional industries, with that of the Lyon banking community, the research institutes of Grenoble, or the winter sports centres around Albertville.

The hope now is that the arrival of the single market is introducing clear areas of common interest, like the need to build on the region's already excellent distribution and transport links. The prime example is the opening in 1981 of the Paris-Lyon Train à Grand Vitesse, which cut the journey time to the capital to two hours, but more importantly for the future, left Lyon very well placed to be an important hub of the European express rail network.

It is high talk, but there is real evidence that Rhône-Alpes is going somewhere. For one thing, its very size and history make it ideally suited for the role of France's most independently-minded as well as its most international region. "We have always been seen as difficult people," says Grenoble's Mr Carignon, with some pride.

Historically, the region has always had uneasy links with whatever establishment, on either side of the political spectrum, has been in power in Paris. This goes right back to the origins of the French Revolution, which began there in 1788 a year ahead of the rest of the country. In the 1970s Rhône-Alpes provided an important power base for the Socialist opposition to the then Gaullist government, including men like Mr Charles Hernu, former Defence Minister, who died in January, while still Mayor of Villeurbanne.

Now the wheel has turned again, so that the region goes into the 1990s as a bastion of right-wing opposition to the Socialist Government, embodied by the arrival of a new generation of young leaders who have swept into many of the top political jobs in the past two years. "There is a dynamism around today which is very strong. It is primarily due to the very rapid renewal of the top personalities in Rhône-Alpes," maintains Mr Georges Bouverot, social affairs director for Lyon-based Renault Véhicules Industriels, whose 10,700 staff – representing most of its French truck-making business – make it the biggest corporate employer.

This is reflected by a similar change of generation in recent recent years at the heads of the hundreds of small family owned businesses, many founded after the war, which form the backbone of the region's economy. "There has been a revolution in management culture," says Mr Dominique Nouvellet, director general of Siparex, the region's biggest provider of risk capital. Siparex's own growth is a symptom of this change, from the traditional owner-managers who were unwilling to use equity funding for fear of diluting their control, to a new generation, content to open the ownership of their businesses. Siparex invested Ffr140m last year, the equivalent of a quarter of all its investments over the first 12 years of its life, and expects string growth in 1990.

At the political level, the leader of Rhône-Alpes' new generation is Mr Michel Noir, mayor of Lyon, possibly France's most televised mayor. They also include his deputy mayor, Mr Christian Boiron, and Mr Alain Mérieux, vice-president of the regional council, both examples of politicians with strong business backgrounds – a rare breed in France – as the heads of the pharmaceuticals companies bearing their names. Other names to conjure with among the new generation are Mr Michel Barnier, head of the Savoie departmental council, and Mr Bernard Bosson, the centrist mayor of Annecy.

The decentralisation that they are all trying to hasten along is visible on two fronts, a gradual influx of big businesses and institutions from Paris and elsewhere, and the increasing exercise of local decisions in otherwise national domains such as education.

It is not hard to find examples of the region's ability to attract and hold on to prestigious institutions that only recently would have rather stayed in the capital.

Three years ago one of France's four Ecole Normale Supérieures, the country's top science colleges, moved from Paris into a Lyon suburb, followed last autumn by Interpol, the international police organisation. "We chose Lyon out of four or five proposals from French cities," says Mr Claude Trassard, Interpol's head of administration.

Over at Grenoble, there is the arrival last December of the Open Software Foundation, the software standards research body backed by nine leading electronics companies. Under construction a few kilometres away is the European Synchrotron Radiation Facility for the use of high-power x-rays to study the surface quality of materials. Mr Ruprecht Haensel, its German director-general, says: "Grenoble has a unique tradition of industrially-related research, due to the very strong links between university and industry, for which there is no parallel in Germany."

On the political decision-making level, the focus for decentralisation has been on higher education, a traditional preserve of the Education Ministry in Paris. It is not surprising, considering, that this should be a big issue for the region, since 30 per cent of Rhône-Alpes' population is under 20 and many of its crowded 1960 university buildings badly need renewing. Lyon last year became France's first city to strike an agreement with the Education Ministry for joint funding of secondary school improvements, while Grenoble recently funded two university research chairs, another unusual move.

While Rhône-Alpes has arguably achieved more decentralisation than other French regions, it still has a long way to go. Even though its population is half that of the Paris region, its economic production is only one third of that of the capital, 9 per cent of GNP as against Paris' 27 per cent.

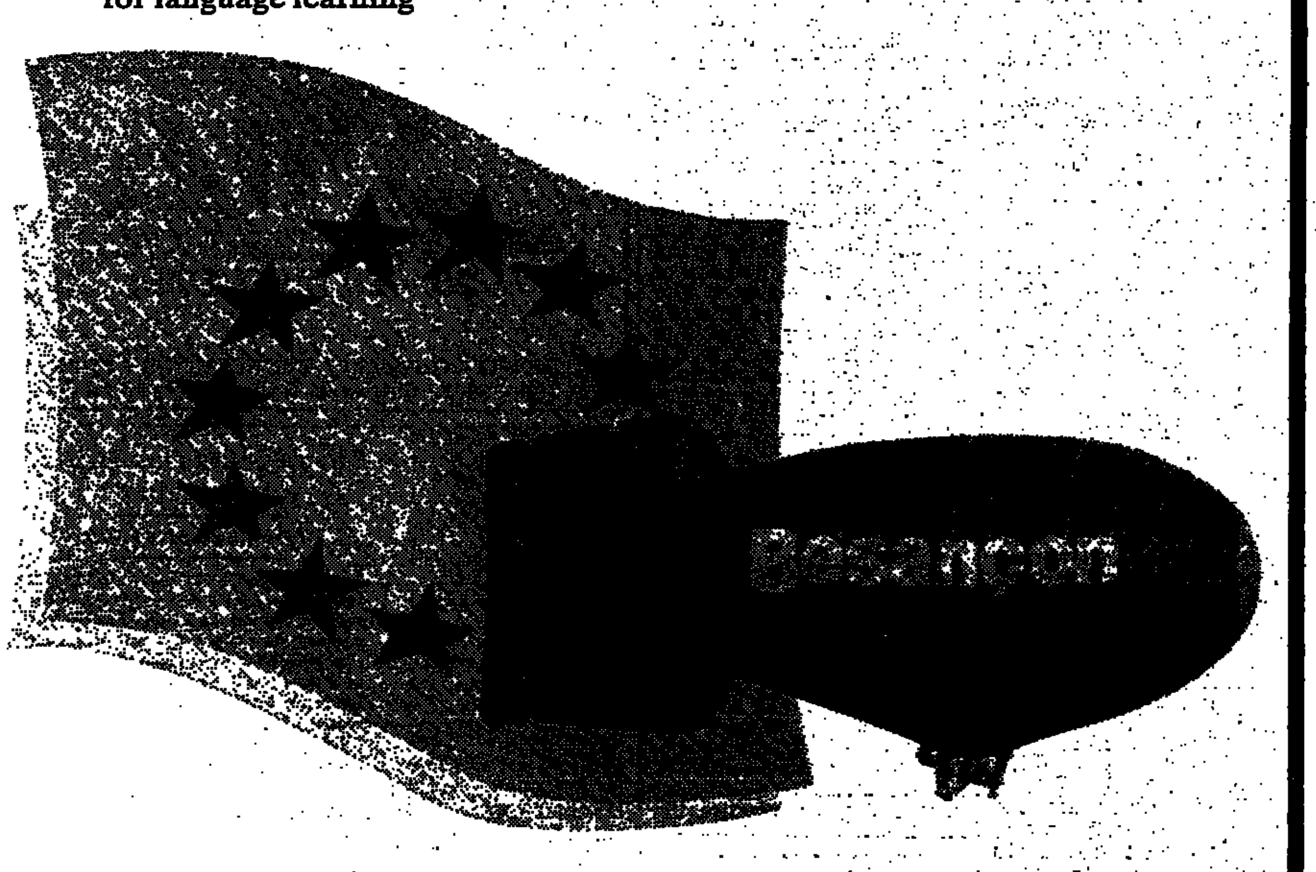
If local authorities are to continue attracting more economic activity, they will have to invest even more on education and infrastructure – but France's centralised tax system gives them little scope to fund their dreams. Grenoble's Mr Carignon reckons that 10 per cent of the country's total tax revenues are gathered by local authorities, with the rest going to central government, as against 50 per cent in West Germany. Nobody expects France to become a German-style federation, but Rhône-Alpes is certainly doing more than most to nudge it that way.

In this survey

BESANÇON THE CAPITAL OF PRECISION
The European Pole of Microtechnology
First GREEN TOWN of France
"Le Point" magazine classification – March 1990
EUROPEAN POLE for language learning

BESANÇON UNE CAPITALE

BESANÇON CAPITALE DE LA PRECISION
Pôle européen des microtechniques
1ère VILLE VERTE de France
Classement «Le Point» - Mars 1990
PÔLE EUROPEEN de l'apprentissage des langues



Located between LYON and STRASBOURG on the one hand and between PARIS and MILAN on the other hand, close to GENEVA, ZURICH and BASLE, BESANÇON (120,000 inhabitants), the capital of Franche-Comté, welcomes 16,000 students to its 5 universities, in the only Ecole d'Ingénieurs Nationale Supérieure de Micromécanique et de Microtechniques (National School for Engineers in Micromechanics and Microtechnology) and its Centre International d'Apprentissage des Langues (International Centre for language learning).

BESANÇON is moving on, BESANÇON awaits you!

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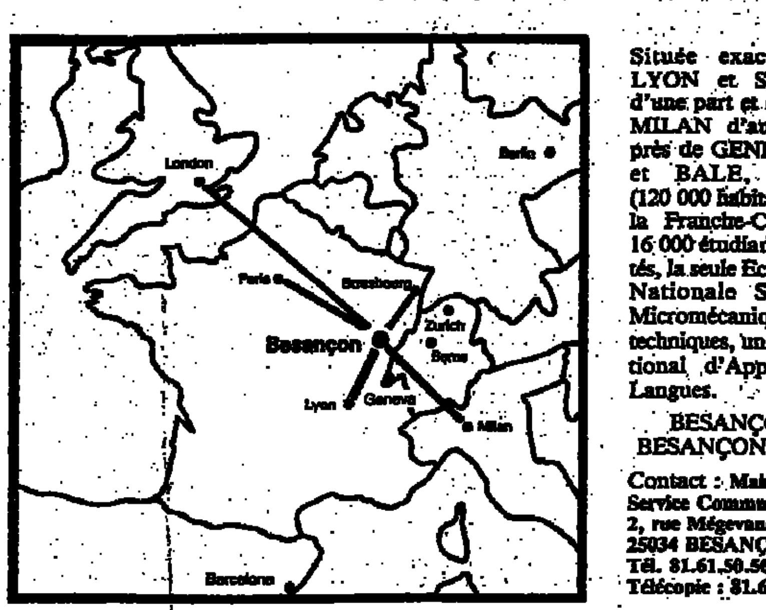

Située exactement entre LYON et STRASBOURG d'une part et entre PARIS et MILAN d'autre part, tout près de GENEVE, ZURICH et BALE, BESANÇON (120 000 habitants) capitale de la Franche-Comté accueille 16 000 étudiants dans 5 facultés, la seule Ecole d'Ingénieurs Nationale Supérieure de Micromécanique et de Microtechniques, un Centre International d'Apprentissage des Langues.

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LYON
Rendez-vous avec l'Europe!

In the past three years an impressive number of renowned international companies and organizations have fallen for Lyon's charms.
She's attracted winners: Hewlett Packard decided to come to the Isle d'Abeau business park; advanced research centers like Schering Plough inc.; production plants like Unilever which have chosen La Plaine de l'Ain industrial estate, and others such as Framatome, Novatome, Rhône-Poulenc, Septen, l'Ecole Normale Supérieure et Interpol. What's Lyon's appeal? Apart the fact that Lyon herself is a vibrant, ancient center of culture in a beautiful countryside, she is so convenient: road and air links in all directions and the world's fastest business train first started from Lyon. The past - The future. Lyon, she's got it all.

For further information, please send your calling card to ADERLY :
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BANKING									
	Ain	Ardeche	Drôme	Isère	Loire	Rhône	Savoie	Haute Savoie	Total
Population	455	273	408	895	735	1,473	335	530	5,202
Inhabitants per bank branch	2,146	2,395	2,104	2,427	2,290	2,095	1,811	1,538	2,095
Inhabitants per ATM	3,273	6,067	4,562	4,216	4,153	3,949	3,350	2,894	3,894
Bank deposits (Ffrbn)	19.3	13.5	20.2	47.3	39.0	84.5	18.1	27.2	269.2
Outstanding bank loans (Ffrbn)	17.4	7.7	16.2	40.3	25.8	69.7	13.7	27.9	218.8

Source: Banque de France

Lyon has been a banking city since the 15th Century, says **George Graham**

More power for divisional managers

DECENTRALISATION is a popular theme for the politicians of the Rhône-Alpes region. For its bankers, it is a motto that has already been put into practice.

Lyon has been a prominent banking centre since the 15th Century, when the Italian financiers driven out by the Guelph-Ghibelline wars set up shop there, but this heritage had seemed to fade for a while. Now, however, the main French national banks have delegated much more power to their divisional managers.

"We have powers enabling us to decide on virtually all personal loans and on 95 per cent of corporate loans – almost everything except for national or multinational groups, and country risk," says Mr Patrick Bertrand, chairman of the Rhône-Alpes executive committee of Crédit Lyonnais, the country's third largest bank, which was founded in Lyon 126 years ago, but whose headquarters is now in Paris.

Lyonnaise de Banque, part of the CIC banking group which now belongs to the state-owned insurance company Groupe des Assurances Nationales (GAN), has remained headquartered in Lyon.

Crédit du Nord, the commercial banking arm of the Paribas Group, went further and turned its branches in the region into a subsidiary, Banque du Rhône-Alpes, moving in the process from loss into profit.

The process of decentralisation began with lending and internal management decisions, but bankers in Lyon say that there is now a move to decentralise also investment banking and risk capital activities.

Lyonnaise de Banque has put its own investment banking activities into a separate subsidiary, Banque de Vizille, in which Italy's Monte dei Paschi bank has taken a stake. Crédit Lyonnais, which 10 years ago chose Lyon for its first regional investment banking office, last year created a new Compagnie Financière d'Investissement Rhône-Alpes, with a starting capital of FFr500m, to take equity stakes in regional companies.

National banks are also starting to set up dealing rooms in Lyon, with the aim of providing on-the-spot interest rate and foreign exchange services for their Rhône-Alpes customers.

But the region's bankers are also looking beyond their borders at the opportunities for linking up with nearby European regions, especially Baden-Württemberg in West Germany, Piedmont in Italy and Catalonia in Spain. Lyonnaise de Banque, indeed, is looking still further afield and has taken stakes in two Moroccan banks.

"Our ambition is to pass from being a regional bank of south-eastern France to being a regional bank of southern Europe," says Mr Michel Angé, managing director of Lyonnaise de Banque.

The banking market has been strong in the region, with a growing population, lower than average unemployment and a network of thriving small and medium-sized companies which have started to borrow from their banks again.

Bankers are now pressing ahead with their investment banking activities, developing a mergers and acquisitions business which many see as destined to continue growing strongly.

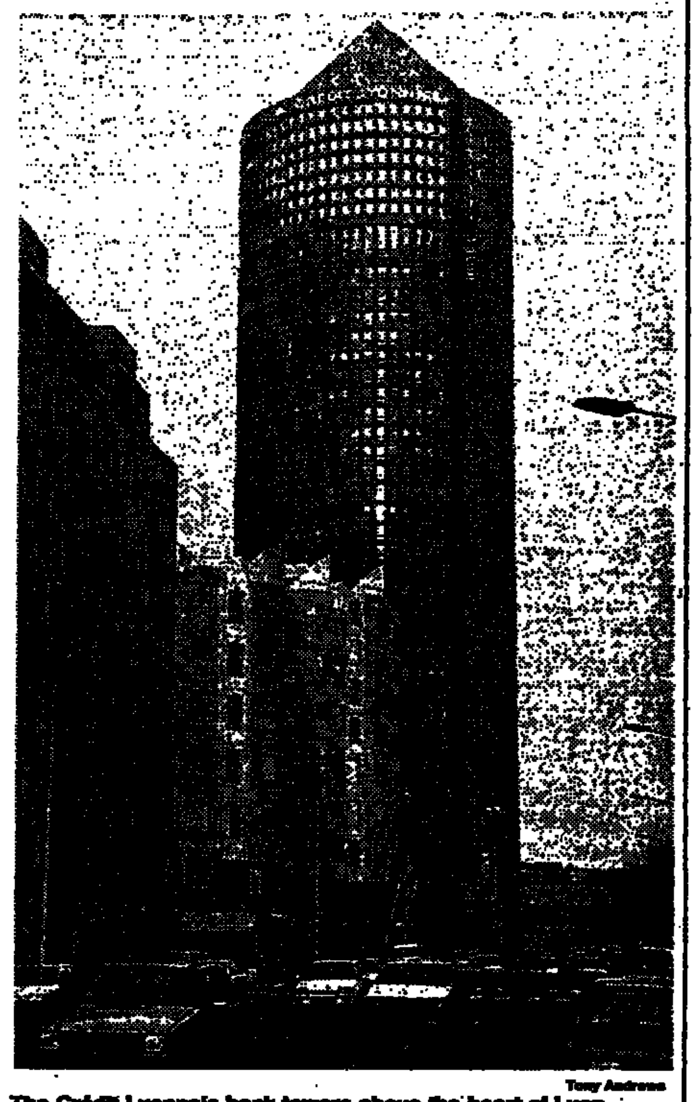
"This is a very promising market. There has always been a steady stream of big national groups seeking to expand their presence by acquisitions in the region, in sectors such as construction, but now we are seeing many more mergers of medium-sized companies or takeovers of small companies by medium-sized companies," says Mr Bertrand of Crédit Lyonnais.

Mr Angé, of Lyonnaise de Banque, agrees.

"The market for mergers and acquisitions is enormous. We are not in competition with Lazards or Paribas or Suez, who are not interested in this market," he says.

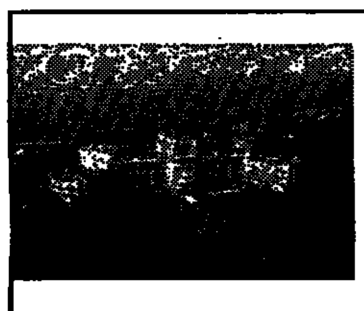
Competition has always been fierce in the region, however, with some departments, such as Savoie and Haute Savoie, having a particularly heavy concentration of banks. Local bankers are even sensitive about competition from the modest retail banking operations of the Bank of France.

But competition could get even fiercer as foreign banks build up their presence in Lyon. The most prominent foreign bank is at the moment West Germany's Dresdner Bank, which bought the local Banque Veuve Morin Pons, but other nationalities have been setting up shop, and Lyon bankers say some Japanese banks are now considering setting up in the city.



Tony Andrews

The Crédit Lyonnais bank towers above the heart of Lyon



IN EVIAN, at the foot of the SAVOYARD MOUNTAINS overlooking LAKE GENEVA, it is clear that conspicuous consumption is back in fashion

The hotel called the ROYAL CLUB EVIAN provides proof that in France, at least, "le luxe" - luxury - is not something of which to be ashamed.

Built in 1907 for King Edward VII in the baroque style, the interior design of the hotel, with its huge drawing rooms, rotunda, domes and colonnades, has hardly been altered since, giving the building a timeless quality.

The ROYAL CLUB retains the traditions of the "belle epoque". The cuisine at its five restaurants is renowned, the rooms luxurious and the service impeccable. Below the hotel, the casino represents one of the great gambling houses in Europe.

However, Mr. Michel Novatin, the director general of the concern, insists that while the hotel maintains its finest traditions, it is also resolutely modern in its approach, attracting a young, cosmopolitan clientele.

The range of sporting activities available is impressive. From the 18 hole golf course adjacent to the hotel, the golfer can admire some of the finest views to be found on a European course. Afterwards, one can play tennis on one of the six courts, go windsurfing, sailing, horse riding, swimming in the indoor swimming pool or simply pass the time of day strolling in the hills above the hotel.

For those feeling more energetic, the resorts of the Porte du Soleil, one of the largest skiing areas in Europe, are less than an hour away.

However, for those who are less fit, the secrets of health can be revealed by the Institut Mieux-Vivre (the Better Living Institute). Here, doctors, dieticians, physical therapists, beauticians and hydrotherapy specialists are at the disposition of guests.

They promise that those who submit themselves to the necessary regime and to the diet of less than 1,500 calories a day will feel far better not only in soul but also in body, at the end of their stay.

A steady consumption of water from Source Cachat the spring nearby which provides the world-famous Evian mineral water, also helps provide a healthy tonic.

Although a stay at the ROYAL CLUB is always pleasurable, it is also possible to work there. Mr. Novatin points out that the ROYAL CLUB is investing in a new conference centre. With its unique door park setting, and its location - the hotel is only 28 miles from Geneva airport - Mr. Novatin believes the ROYAL CLUB is ideally situated to attract conferences hosted by the international business community.

Admittedly, the ROYAL CLUB is not inexpensive. A double room can cost more that £100 per person for half-board. But then who said that the little luxuries in life came cheap?

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Go-ahead for road, rail and airport projects

European transport link

THERE is a visionary glint in the eyes of Rhône-Alpes planners these days.

They have succeeded in getting a number of ambitious road, rail and airport projects off the ground, all of which are central to helping the region realise its ambition of becoming an important transport and distribution link between north and south in Europe's single market.

These include the doubling of the 4m passenger a year capacity of Satolas, the region's international airport near Lyon, to cater for the winter Olympics in 1992, a recently opened motorway link across the foothills of the Alps, which has cut the Lyon-Geneva driving time to an hour, plans for expressways under and round central Lyon to take long-distance drivers past the city's sometimes horrendous traffic jams, and extension to the nine-year-old Train à Grand Vitesse (TGV) link from Paris.

"I see ourselves as being part of a network of Europe's so-called second cities, a network through which commerce will flow directly between regions rather than going via capitals," explains Mr Michel Noir, mayor of Lyon. Here the region is extremely well placed.

In accordance with its position as the main stop on Europe's busiest long-distance railway, Lyon takes a central part in the French Government's thinking on the national TGV network of the future.

The Paris-Lyon TGV link, opened in 1981, has provided the first proof that under the right conditions, the TGV can be a commercial success, worth repeating across Europe.

It now sells between 20m and 30m seats a year, compared with the 3m to 4m minimum traffic needed to break even, estimates Professor Alain Bonnafous, head of Lyon University's Transport Economy Department. The existing project programme of the SNCF, the French rail board, will take the TGV line on a loop via Satolas, the international airport just outside Lyon and south to Valence by the end of 1993.

This will, incidentally, make Satolas France's only airport with a TGV station.

Further ahead, the French Transport Ministry is studying an ambitious new programme for the following 10 to 15 years, which includes proposals – among others – for TGV links through Lyon to Strasbourg, Marseilles, Geneva, Turin and along the Mediterranean coast to Barcelona.

The Ministry is expected to adopt the outline scheme as official policy early in the summer, following which it will get down to deciding routes and the order of construction with the SNCF and local authorities.

There are two main uncertainties.

One is the route to be taken by the Geneva link, where the Swiss authorities are offering to help finance a line to the north via Macon, rather than going through Lyon – to the city authorities' enormous chagrin – but give a shorter journey time between the Swiss capital and Paris.

The second is which of the various routes will be built first? In a reminder of the extent to which the region's fate is still in the hands of the central Government, Paris is keen to start work fast on a TGV line between the French capital and Strasbourg, which would delay other more profitable work in south-eastern France, but reinforce Strasbourg's increasingly challenged hold on the prestigious European Parliament.

If the Government chooses to build what looks like the most profitable routes first, Prof Bonnafous – whose department advises the Ministry – reckons the Marseille line could open by the end of this decade, with Lyon to Barcelona and Strasbourg around five years later.

What all this will mean for businesses in the region can only be guessed at from the impact of the existing TGV. It was seen as something of a double-edged weapon when it arrived.

The region was struggling out of the last recession at the time and some feared the fact that the Paris-Lyon journey time was slashed to two hours would make it easier for companies based in the national capital to compete against weaker regional competitors.

In the event, the reverse was true. While Parisian businessmen have increased their journeys to the Rhone-Alpes region by 52 per cent since the line opened, regional business visits to Paris have multiplied 2.4 times, says Prof Bonnafous. Roughly half of the increase came from people who stopped travelling by air or road, but the rest is genuinely new traffic, suggesting that businessmen from the region have used the line to raid their Parisian competitors, rather than the reverse.

If Satolas airport, the largest of the region's seven airports, initially lost business to the TGV, it is now in full expansion again.

This is thanks to a growth in international traffic which reflects the fact that Rhône-Alpes stubbornly maintains a foreign trade surplus while France as a whole continues to be in deficit.

"It is mostly a growth in European business traffic. More and more people are using the region as an international base," says Mr Bernard Chaffange, the airport's managing director.

Passenger traffic rose faster than anywhere in Europe last year, by just over 15 per cent, while freight rose by 27 per cent, pushing the limits of the airport's capacity for the first time in its life.

The airport expansion will cost roughly Ffr1.8bn, covering the new runway, the TGV station, extra parking, a business centre, more freight-handling capacity and extra parking.

Jointly funded by the Lyon Chamber of Commerce, local authorities and the SNCF, it is held up by many in the region as the first concrete evidence of the newly expansionist mood among local leaders.

France's main industrial region outside Paris

Business centres of interest to companies

RHONE-ALPES has traditionally prided itself on being France's main economic and industrial region outside Paris.

As Europe's single market approaches the competition between it and other regions in and outside France, some of Rhône-Alpes' main economic centres are making ambitious investments in business and technology centres to attract companies.

The question why anyone should want to set up a base in this region, when political and business decision-making in France is still highly centralised in Paris, attracts a litany of answers from local officials.

It is not for nothing that Rhône-Poulenc, the chemicals giant, recently moved its agrochemicals division to the region, that Renault Vehicules Industriels, which has always kept its national headquarters there and is the biggest employer in the region, last year moved its research centre from Paris to a suburb of Lyon, or that the region hosts the headquarters of internationally ambitious groups such as Institute Merieux in pharmaceuticals and Cap Gemini Sogeti in computer software.

A Lyonnais will talk of the city's sophisticated financial services industry, its culture and the restaurants which have earned Lyon the name of the stomach of France. A Grenoblois will talk of that city's role as the top centre for technology research outside Paris, set in a stunning Alpine location which provides inspiration for fertile brains. Annecy will talk of its splendid environment among the high-tech businesses of "French Geneva county", while St Etienne pitches itself on the thriving community of subcontractors to have grown out of the wreckage of its traditional industries.

The latest business centres of interest for foreign companies looking for a home in the region are in:

■ Grenoble. Construction has just finished for the first phase of Europole, a futuristic Ffr1.5bn centre for offices, public buildings, hotels and appartments to be completed towards the end of this decade. The project will include 68,900 square metres of office space next to the railway station, three-and-a-half hours from Paris by TGV. It is jointly funded by the City authorities and the private sector, though the construction cost is being born by the developers.

Separately, Zirst (Zone pour l'Innovation et les Réalisations Scientifiques et Techniques), a business park for 200 small companies just outside the city, has just doubled its capacity. The project, jointly financed by private interests and local authorities, is on the edge of Grenoble University campus and next to one of France Telecom's two national research centres. "One major attraction is the cross-fertilisation of ideas that takes place between the companies here and with the university," says Mr Henri-Jacques van Tichelen, director of the French arm of Yokogawa, a Japanese instrumentation company based in the Zirst.

■ Lyon. The City authorities have just given the go-ahead for construction of a 2,500-seat conference centre, plus hotels and offices on the banks of the Rhône next door to the recently-opened headquarters of Interpol, the international police organisation. The conference centre will be the first part of the Ffr4bn project to be completed, by the end of 1993. Meanwhile, the Satolas airport expansion will include 70,000 sq m of office space by 1992.

■ Archamps. Just north of Annecy and 7km from Geneva airport, an International Business Park has just opened its first 60,000 square metres of office space out of an eventual total of 135,000 square metres, which will include a World Trade Centre, shops, an hotel, and business services, all of which will offer fibre optic cable links. Companies operating from the park, a joint venture between the Haute-Savoie department and a Franco-Swiss investment consortium, are allowed to import European Community products for their own needs duty free, under an agreement between the French Finance Ministry and local authorities.

"Too many companies who came looking here were saying that the area was very nice but had nothing specific to sell. This is our response," says Mr Michel Glever, marketing manager for the business park.

William Dawkins

PLASTICS

Focus of expertise

THE hundreds of mainly small family-owned businesses that make up the heart of the French plastic processing industry, in the Ain department in northern Rhône-Alpes, are working together to build a centre of European expertise.

This community of 650 companies, crammed within a 25km radius in and around the small town of Oyonnax, together represent 10 per cent of France's output of moulded and processed plastics. The Rhône-Alpes region as a whole processes a quarter of France's plastic products.

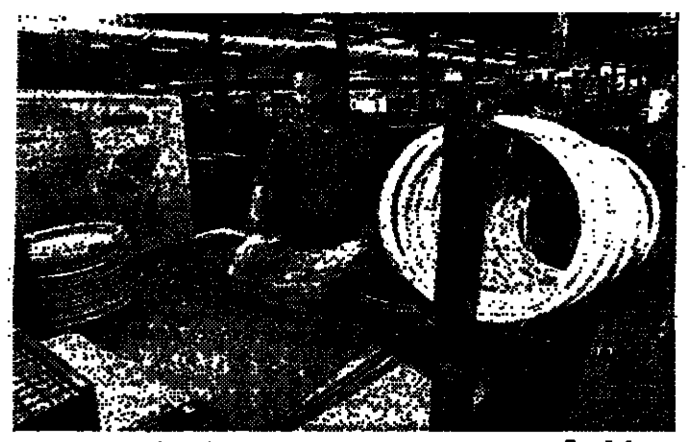
In an attempt to keep that expertise in the region, against growing foreign competition, the 200 corporate members of the Oyonnax plastics federation have clubbed together to create a small university which will produce the country's first diplomas in plastics engineering. Building has just started on the Ffr750m project, which has backing from local authorities and the French state. It will collaborate with Lyon University and expects to produce its first graduates in 1992.

A chat with half-a-dozen producers in what is locally known as "Plastics Valley" shows a recognition that while there is still room for small independent specialists like themselves, the plastics processing industry is becoming increasingly the domain of large volume producers. The result of this is that Oyonnax has seen a growing number of takeovers and mergers, involving local companies such as Manducher, a leading supplier of plastic parts for the automotive industry, which became part of BAT Industries four years ago, and also involving smaller and less known ventures such as Siel Rep, Billon, and Landry.

"As soon as you get into high volumes, you need to move at least your production out of the region to be near your customers," says Mr Jean-Marc Manducher, chairman of the company which bears his name, and a typical example of the region's new generation of business leaders. "So production has a limited future here. But as a centre for grey matter, for expertise, the town's prospects are unlimited," he adds.

The 25,000 people of Oyonnax depend these family companies, the products of a tradition that started in the last century among craftsmen making combs and buttons. Even despite Mr Manducher's warning, the founders' great-grandchildren are doing well, occupying specialist niches from spectacle frames to perfume-bottle production. They are producing average annual sales increases of about 20 per cent, according to a Bank of France study.

William Dawkins



Tony Andrews

Manducher production line in "Plastics Valley"

KEY FACTS

- Population: 5.2m, roughly one-tenth of the French total.
- Land mass: 43,700 sq km; eight departments – Ain, Ardèche, Drôme, Isère, Loire, Rhône, Savoie, Haute-Savoie.
- Employment: Services, 56 per cent; industry and construction, 36 per cent; agriculture, 7 per cent.
- Main companies: Renault Véhicules Industriels (trucks), Rhone-Poulenc (agro-chemicals), Péchiney (aluminium), Atochem (chemicals), Institut Mérieux, Roussel-Uclaf (both pharmaceuticals), BSN (food), Saint-Gobain (glass), Alsthom, Merlin-Gerin (electrical engineering), Crouzet (electronics), Tefal (cookware and cutlery), Ugine (steel), Cogema, Eurodif (nuclear power).
- Economy: 9 per cent of French GNP; 1989 trade surplus, Ffr467m. Unemployment, 8.2 per cent.
- Rate of exchange: Ave for year to March 22, 1990 – £ = Ffr10.76; $ = Ffr6.09.

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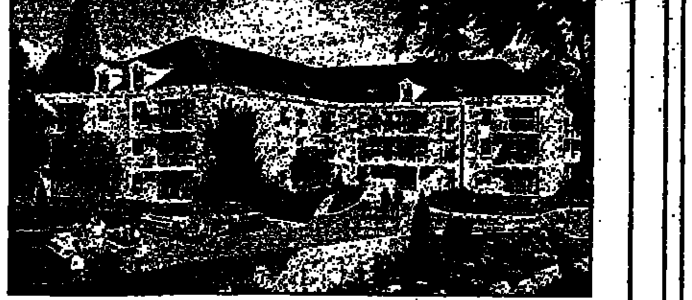

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WINE

The taste of success

WINE-grower Jean-Paul Rampon grasped the glass in his square hand, scarred from pruning vines that morning, and thoughtfully sipped at the purple-red liquid.

Next to him, in a cool cellar under the Beaujolais wine-producing village of Régnié-Durette, Gérard Canard, director-general of the powerful growers' organisation, the Union Interprofessionelle des Vins du Beaujolais, frowned with concentration as he let the wine get to work on what must be one of the region's most expert set of taste-buds. As director of the union for 30 years, he is one of the grand old men of Beaujolais.

A murmured conversation and they both agreed 1989 was a good year for Régnié, a rich wine, with a smell that reminds one of tropical fruit, delightfully described as "pulpeux" by one French wine writer. "Good with goat's milk cheese," opines Mr Rampon.

The quality of the latest crop of Régnié matters more today than it ever has in the five generations Mr Rampon's family has been growing wine around this little village, perched on an exposed sandy hill near the river Saône. For last year, Régnié made the important and rare jump from being a humble Beaujolais Village, a table wine sold under the region's generic name, to a Beaujolais Cru, a quality wine in its own right and a distinction held by only 10 properties in a region which groups 4,800 small wine-growers.

The distinction, granted after rigorous soil and tasting tests by the Paris-based INAO, the body which regulates approved vintages, is the successful climax of a 10-year campaign for recognition by the Rampon family. There is a satisfying historical neatness about the fact that Régnié should be the most recent of the Beaujolais Crus, for it was the first property to be planted with vines by the Romans when Lyon – then Lugdunum – was capital of Gaul.

It is also an illustration of the seriousness behind the clever marketing by growers and merchants which has made Beaujolais one of the best known export successes of the Rhone-Alpes region. The Beaujolais Crus are different wines from the cheaper Beaujolais Nouveaux that gladden restaurant tables round the world at their traditional mass release in November.

The 10 Crus represent a quarter of the 160m bottles produced by the Beaujolais region annually, with another quarter coming from Beaujolais-Villages. The remaining half from Beaujolais Nouveaux, which arrive on the table barely after they have finished fermenting, do not keep their quality beyond the winter after production. Yet they are all part of the same phenomenon.

Before the Second World War, Beaujolais Nouveaux was almost unheard of outside France. It was a speciality of Lyon bistro owners in the 1930s who used to order it by the barrel while it was still fermenting, to give their clients something cheap and different to drink during the winter. During and after the war, the imposition of wine rationing by the occupying forces helped the "primeur" achieve a wider reputation. The official debut of Beaujolais Nouveaux came in 1951, when the INAO agreed that a proportion of production could be marketed a month earlier – the third week in November – then allowed for the higher quality Beaujolais Villages and Crus.

Beaujolais has, however, always been a volatile business, a victim of fashion and fluctuations in production. Around half of output is directly exported, which is why merchants – rather than the growers themselves – handle 90 per cent of Beaujolais sales, a much higher proportion than is usual in other wine regions. In addition, the need to bottle the entire year's output of Beaujolais Nouveaux within 10 days of completing fermentation, in order to meet the deadline for delivery simultaneously in North America, Japan and across Europe is beyond the typical family wine-growing business.

Volumes were down 7 per cent in the first five months of this year's marketing campaign. This was partly because it was a genuinely smaller – and higher quality – harvest, though Mr Canard also warns that traditional markets in Britain, Germany and North America are under pressure from cheaper US, South African and Australian wines.

William Dawkins

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Younger hands take over at the policy-making helm

RHONE-ALPES is beginning to see the evidence of a remarkable change that has taken place among the top decision-makers in the region over the past two years.

Half-a-dozen important jobs across the region, many of which had been held for years by the same people, many of whom had connections going back to the Resistance in the Second World War, have moved into younger and more entrepreneurial hands, through election, death or retirement.

"Most of the old political notables have gone... What we have now is a feeling of renaissance. It's really very exciting," says Mr Bruno Dufour, director-general of Groupe ESC Lyon, the business school which includes France's leading management research centre.

The region's new leaders are worth watching not least because they form a national focus for the centre-right opposition in France.

They also share a determination to build business and political links with neighbouring European regions, and a wish to pull more decision-

> The region's new leaders are worth watching, says **William Dawkins**, because they form a national focus for the centre-right opposition

making and financial power away from the centralised bureaucracy in Paris. Some already have ministerial experience and will almost certainly provide material for a future right-wing government.

They are moving fast, co-operating closely to make decisions on big rail, road, airport and industrial projects and handling relations with Paris more aggressively than before.

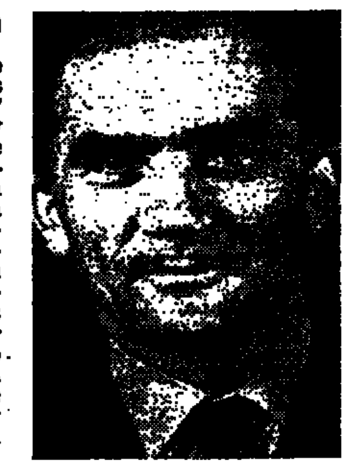
"A certain number of things are coming to maturity and being given a new impulsion after a long time," said Mr Jean Chemain, President of Aderly, Economic and Industrial Development Agency for the Lyon Area.

The changes that have been made at the top include the president of the Regional Council, the Mayor of Lyon, the head of the regional employers' association, the president of Lyon Chamber of Commerce and the vice-president of one of the region's eight departments.

This adds to the dynamic young mayors of Grenoble and Annecy, who have been in place since the early 1983, the heralds of today's wider change.

A brief look at some of the region's decision-makers follows.

Charles Millon



THE region's political heavyweight is Mr Charles Millon, president of the Rhône-Alpes Regional Council, the body primarily responsible for the area's economic development.

Mr Millon, 44, shot to new prominence last summer when he became president of the UDF centre-right party after a long and bruising battle with the former incumbent, Mr François Léotard. Many had thought Mr Millon, a former election campaign manager for Mr Raymond Barre, the one-time right-wing prime minister, would never regain the national political stage after a near-fatal illness five years ago.

This ardent Catholic's roots are strongly regional and he works hard at consolidating his local power base. Mr Millon has been mayor of Belley, an industrial town in the Ain department, since 1977 and took over the council two years ago after the death of his friend and mentor, Mr Charles Beraudier, former regional president.

Mr Millon modestly argues that there is nothing new about the latest regional leaders' push for decentralisation, which he sees as an attempt to build more decision-making power to help them realise their European hopes. "Let's not be pretentious about this," he says. "Mr Beraudier knew what to do just as well as we do." After all, it was Mr Beraudier who signed a co-operation accord, just before his death two years ago, with Baden-Württemberg of West Germany, Catalonia of northern Spain and Lombardy of northern Italy, one aim of which is to exert weight on their national governments to include direct regional links in plans, agreed in outline between national railway authorities for a pan-European TGV system.

Michel Noir

THE ambitious Michel Noir is the head of the new generation of right-wing leaders who are strengthening the Rhône-Alpes influence in the Paris bureaucracy.

Since winning municipal elections to become mayor of Lyon, the regional capital, last year this former Foreign Trade Minister has swept to national prominence as a possible alternative to Mr Jacques Chirac as head of a divided and bickering RPR Gaullist party. He dreams, like his friend Mr Alain Carignon in the Grenoble town hall, of uniting France's fragmented right-wing parties one day into a single opposition group.

He is a forceful advocate of decentralisation, especially in education, where the universities in Lyon and throughout this region are in dire need of cash. Mr Noir certainly wasted little time recently in presenting President François Mitterrand with a paper calling for more decision-making power to be moved from Paris to the local authorities.

The occasion was significant; Mr Mitterrand's arrival in Lyon for the inauguration of Interpol's headquarters last year, the first official visit to the city by a French president since Mr Georges Pompidou more than 15 years ago.

"Already there is great openness in the Government towards our ideas for more power for local authorities over universities and education," maintains Mr Noir.

The main asset of this tall, imposing 45-year-old, is an attractive public image, helped by his frequent and competent TV appearances. Critics fear Mr Noir, who lists rowing among his interests, lacks the intellectual power-to-weight ratio to make a long-term future in national politics. With typical charm, Mr Noir admitted recently: "I am no formula one – rather a diesel, but an indefatigable one."

Alain Carignon

"GRENOBLE is the laboratory for a new France in a new kind of decentralised Europe," maintains Mr Alain Carignon, the city's 41-year-old Gaullist mayor.

Mr Carignon, who brought a surprise end to 18 years of Socialist rule when he took power in Grenoble in 1983, is one of the most forceful and experienced of the region's young leaders. Higher education, normally the domain of central government, is a top priority for Mr Carignon, who increased the city's spending on universities tenfold in his first five years at the town hall.

This, plus significant infrastructure investments, has forced him to increase local taxes, attracting some criticism from Grenoblois taxpayers, but Mr Carignon is sticking to his policies. "These developments are key to the city and we must pay for them," he says. "How is it that over the past two years we have attracted Hewlett Packard, Thomson, and Valeo to set up offices here and in the department? We could not do it if we didn't have a university of the very highest quality, as well as the very best products in culture, leisure and sport," he argues.

Like his colleagues in other towns in the region, Mr Carignon, a former Environment Minister, is working hard on his local power base, on the belief that there is no long-term future for a strongly hierarchical Paris-based political system. Mr Carignon even resigned his seat as a national member of parliament two years ago, in favour of a job as president of the departmental council of Isère, of which Grenoble is the capital. "We are in a phase of transition towards a system in which political alliances will be at the local level. It will take 10 years to come, but it will be like that."

François Dubanchet

BURLY Mr François Dubanchet, the mayor of St Etienne, the region's third largest city, which is fast recovering from the collapse of its traditional industries, is a local leader of the old style.

"I am no politician. What interests me in life is the administration of this city," says the 66-year-old member of the centre-right UDF, who was re-elected last March with a 54 per cent majority. While the paternal Mr Dubanchet is in a different mould from the nationally ambitious young leaders of Lyon and Grenoble, he probably has the hardest job of any mayor in the region.

St Etienne is emerging from deep depression, caused by the decline of its old steel, coal and engineering industries. It has been a remarkable industrial reconversion, from a jobless rate of 15 per cent in 1983, among the worst in France, to 10.1 per cent now, only slightly more than the national average. This comes thanks to a bevy of investment incentives, plus a budget of FFr300m a year since 1985 on light workshops and job creation schemes. Mr Dubanchet reckons most of the new jobs are in precision engineering, sub-contracting for the car component and aerospace industries.

"It's a beginning. We are making a return to our dynamic industrial past," he says.

As a small symbol of this new prosperity, the local authorities are sponsoring the creation of a golf course on a former rubbish dump in the heart of St Etienne.

Bernard Bosson

BERNARD BOSSON, the 42-year-old mayor of Annecy, the capital of the Haute-Savoie department, is typical of the region's new political generation, international in outlook and a strong believer in stronger and better organised local decision-making.

"It is not that mayors need supplementary powers. The problem is the small size of the Communes. There are still 36,000 of them in France and we need to do much more to find ways of co-operating," says Mr Bosson, who took over at the town hall in 1983, and was Minister for European Affairs in the last right-wing Government.

Mr Bosson, a member of parliament for the centrist CDS party, reckons his town's strongest cultural and business links are over the border with nearby Geneva – where 26,000 Haute-Savoie residents work every day – and Lyon.

Like his father, who was mayor before him, Mr Bosson also places enormous importance on protecting the environment around Annecy, which sits amid mountains on the shore of what is claimed to be Europe's purest lake. For Haute-Savoie is France's busiest winter tourist region – and second busiest in the summer – with hotel and campsite space for 541,000 visitors.

Thanks to the growing number of small high-technology companies in the region, the provision of housing is Mr Bosson's biggest local headache.

"It is a heavy burden on the town's finances, but I would rather have this problem than empty buildings and high unemployment," Mr Bosson says.

SKI INDUSTRY

The white gold melts away

For the third season running the snows have arrived late

THE sparkling age of the white gold, as snow has been known in France, has ended. It has been replaced by mud, slush and financial ruin. For the third season running the snows have arrived late. This has been the worst of the three.

In January, the line at which the temperature was zero was, on occasions, at 3,000m. By the second week in February, blossom was appearing by the side of the motorway between Lyon and Chambéry, and the sales of ski equipment offering 50 per cent discounts were appearing in the shops.

Retailers have not been re-ordering large quantities of stocks for next season. Sales at the ski salons in Europe were down between 30 and 50 per cent this March, according to Rossignol, the Voiron-based company, the world's largest manufacturer of skis. The main reaction of companies supplying the skiing industry is to diversify, geographically and in terms of products.

"So far, the snows haven't failed in all three markets – Europe, the US and Japan – simultaneously," explains Mr George Salomon, secretary-general of Salomon, the leading manufacturer of ski bindings.

Paradoxically, in spite of the problems, the largest ski equipment companies are also diversifying within their own sector. Salomon, which has specialised in boots and bindings, is planning a range of skis, while Rossignol has bought Lange, a boot company. Most companies are also diversifying out of the winter sports sector. Salomon has invested more than $4m in its successful golf business, while Rossignol has moved into tennis.

Smaller concerns are trying to follow the example of larger counterparts by using their technology in other areas. Sidas, the Isère-based company which was originally a manufacturer of soles for ski-boots, is trying to sell its products in the orthopaedic market.

The lift manufacturers are also diversifying. Pomagalski and Montaz Mautino Gimar, respectively the number one and two French lift suppliers, are responding to falling demand by moving away from snow-orientated systems.

During the summer of 1988, French resorts invested in 120 new lift installations, according to the Syndicat National des Téléphérique et Téléskis de France. Last year only 90 were installed. This year the figure is likely to be lower.

Pomagalski has reacted by diversifying geographically. It has exported to markets as diverse as the US and the Great Wall of China. Montaz Mautino Gimar hopes to achieve half of its turnover outside the skiing sector. However, for companies linked to the mountains, such as lift operators, the option of diversifying is more difficult.

"Everybody is talking about selling mountains, rather than snow," explains Gérard Coint, director of Salon International de l'Aménagement en Montagne, the international mountain equipment salon which takes place in Grenoble next month. "They are trying to encourage people to come to resorts all the year round, rather than just in February by investing in non-skiing facilities." However, Mr Coint argues much of this investment is often wasted and to be effective the sums required are beyond the means of all but the largest ski stations.

Attempts by the small and low resorts to invest in snow-making machines and landscaping have not proved a success. A number of resorts in the Vercours near Grenoble which invested heavily in snow-cannons have not been able to use them because of the high temperatures.

Such investment may become increasingly difficult for such resorts to fund. The economic effects of the lack of snow have been most severe for the smaller, lower stations. By February 21 this year, there were 14 resorts in Haute-Savoie, all of them below 1,500m, which had experienced falls in their turnover of more than 50 per cent on the previous year.

The effect on the local economies has been dramatic. On January 22, only 62 of the 429 stations in France were working. They were employing only 2,000 of the usual 11,000 seasonal workers and sales of lift tickets were down at least FFr450m.

In the meantime, the *montagnards* will be praying for snow this winter and hoping that the benefits of the investment in the infrastructure for the Albertville Olympics in 1992 will help their local economies.

Paul Abrahams

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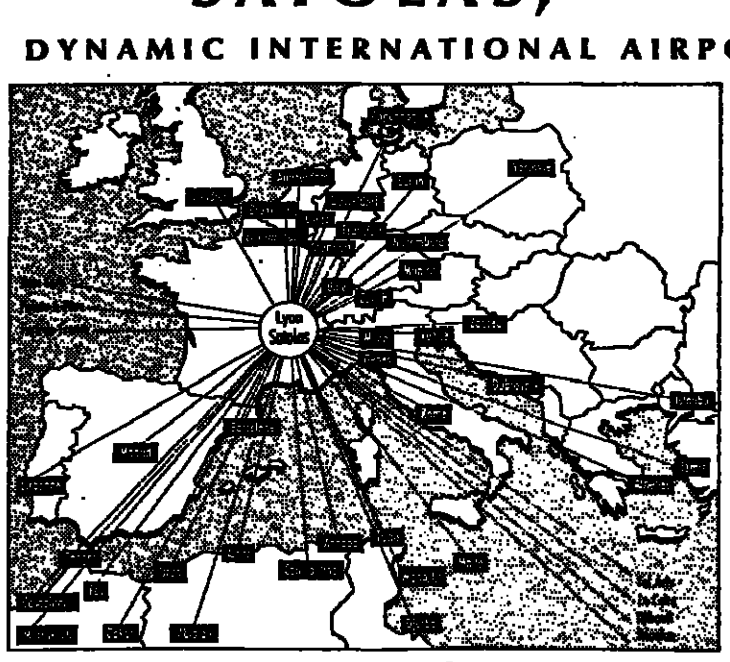

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FT LAW REPORTS

Dry dock tenant fights forfeiture

ASSOCIATED BRITISH PORTS v C H BAILEY PLC
House of Lords (Lord Bridge of Harwich, Lord Templeman, Lord Griffiths, Lord Oliver of Aylmerton and Lord Lowry): March 22 1990

A LANDLORD who seeks forfeiture of a lease on the ground that the tenant's breach of repairing covenant will lead to substantial diminution in reversionary value, must prove his case on his application for leave to apply for forfeiture; and leave will not be granted if it appears on the evidence that breach leads to little diminution in value, and that the purpose of forfeiture would be to benefit from redevelopment plans.

The House of Lords so held when allowing an appeal by C H Bailey plc, tenant of the dry dock at Barry, Glamorgan, from a Court of Appeal decision upholding Mr Justice Harman's order granting the landlord, Associated British Ports, leave to apply for forfeiture of the lease and damages for breach of repairing covenant.

LORD TEMPLEMAN said that on February 15 1955, 26,040 square yards of land comprising the Barry dry dock with buildings, fixtures and machinery, were leased to the tenant for 99 years from July 31 1950. The rent had now reached its £4,000-a-year maximum.

The lease contained a tenant's covenant to use the premises for dry dock purposes only, and not to carry any other trade, save that of ship repairer, without the landlords' consent.

The tenant also covenanted to keep the premises, fixtures and machinery in good and substantial repair, so that the dry dock was maintained in a state of full efficiency.

As a result of decline in demand for ship repairing in Glamorgan, the dry dock had not been used since 1983. The building had become derelict. Most of the fixtures and machinery had disappeared or perished, or become obsolete.

It was doubtful whether the premises would ever be brought back into use as a dry dock, and it was likely that anyone who wished to carry on business there in the year 2049, would construct entirely new buildings and instal modern machinery and equipment.

The lease provided for landlord's re-entry on breach of the tenant's covenants.

By a notice dated August 28 1987 the landlord alleged the tenant had broken the repairing covenant, and required remedy of dilapidations. Cost of compliance with the notice would exceed £600,000.

The tenant submitted evidence that the buildings, fixtures and machinery would in any event have been useless by 2049, and that diminution in value of the landlord's reversion attributable to the present state of disrepair was £3,500.

It was clear that if the lease was enforced according to its express terms, it would be forfeited and the tenant would be liable to pay heavy damages. But statute had intervened.

Section 146(1) of the Law of Property Act 1925 debarred a landlord from exercising his right of re-entry or forfeiture for breach, until after he had served notice requiring it to be remedied.

Section 146(2) provided that where a lessor proceeded to enforce a right of re-entry or forfeiture, the tenant might apply for relief, and "the court may grant or refuse relief, as the court . . . thinks fit . . . on such terms . . . as the court in the circumstances of each case, thinks fit."

It would therefore be open to a judge in the exercise of his discretion, to grant relief against forfeiture of a lease with nearly 60 years to run, and not to require the tenant to spend £600,000 without substantial benefit to anyone.

By section 18(1) of the Landlord and Tenant Act 1927 damages for breach of covenant to repair could not exceed the amount by which the reversion was diminished by the breach.

In particular, no damage was recoverable if it was shown that the premises, at termination of the tenancy, would be pulled down, or such alterations made "as would render valueless the repairs covered by the covenant".

So there was no question of the landlords being awarded damages remotely comparable to £600,000.

By section 51(3) of the Landlord and Tenant Act 1954, leases of all properties, except agricultural property, were subject to the Leasehold Property (Repairs) Act 1938.

Section 1 of the 1938 Act prevented a landlord from bringing proceedings for forfeiture and damages "otherwise than with the leave of the court."

The immunity from suit thus conferred on tenants was absolute, unless the landlords proved that at least one of five requirements in section 1(5)(a) to(e) was satisfied.

Subsection 5(a) provided that leave should not be given unless the lessor proved "that the immediate remedying of the breach . . . is requisite for preventing substantial diminution in the value of his reversion, or that the value thereof has been substantially diminished by the breach."

Thus, save in special circumstances, landlords must prove that immediate remedy was required to save them from substantial loss or damage.

The landlord in the present case had only established a *prima facie* or arguable case. It had not proved in accordance with the balance of probabilities that immediate remedy of the tenant's breach was requisite to prevent substantial diminution in the value of the reversion, or that the breach had substantially diminished that value.

It submitted it need only establish a *prima facie* or arguable case and must then, on the true construction of the 1938 Act, be granted leave to institute proceedings for forfeiture and damages.

In *Sidnell v Wilson [1966] 2 QB 67,80*, Lord Justice Diplock said Parliament could not, by its provisions for application for leave, have intended that there should be two trials of the matter.

He said it followed that "leave shall not be given unless the lessor proves," in section 1(5), "could not require a standard of proof of the same character as that which is required in the trial of an action."

In the present case Mr Justice Harman and the Court of Appeal followed *Sidnell*, as they were bound to do.

As against the formidable authority of a powerful Court of Appeal in *Sidnell* stood the express direction in section 1(5) of the 1938 Act, that a landlord should prove that immediate remedying of breach of a repairing covenant was necessary to prevent his coming to harm.

The battle between landlord and tenant must be fought at some stage, and Parliament had directed that it should be fought under the 1938 Act when the landlord sought leave to pursue his remedies for breach of covenant, leaving only the question of relief to be determined under section 146 of the 1925 Act.

If the landlord failed to prove he was entitled to pursue his remedies, the tenant was entitled to dismissal of the application under the 1938 Act.

In the present case the tenant adduced expert evidence that damage to the reversion was not substantial and that, in any event, immediate remedying of the breaches at a cost of £600,000 was not requisite for preventing substantial damage to the value of the reversion, and was wholly out of proportion to the extent of the damage.

The evidence was that the buildings, fixtures and machinery were bound to be obsolete by 2049, useless for the purposes of a modern dry dock and ship repairing business, and for any other purpose.

The landlord appeared to be asking that £600,000 be spent to no good purpose. The tenant appeared to be determined to pay £4,000 per annum until 2049 for premises for which there was no business use permitted by the lease.

The evidence disclosed that development plans were contemplated for Barry docks.

If the landlord could forfeit the lease now, the value of the reversion would be much enhanced. If the tenant could resist forfeiture its lease would be of substantial value because its consent or co-operation would be required, and compensation would be payable if the premises were included in future development.

The landlord was getting and would continue to get its rent of £4,000 a year.

In the circumstances it was difficult to accept that the landlord was entitled to be frightened about what the position would be in 2049.

Section 1 of the 1938 Act was there to protect a tenant from a landlord whose only object was to turn out the tenant 59 years in advance. When Parliament directed that landlords should prove their case, it did not intend that they should only produce a plausible case which tenants were not permitted contravert.

The appeal was allowed.

For the tenant: Kim Lewinson (Le Brasseur & Monier-Williams)
For the landlord: Peter Birts (solicitor, Associated British Ports)

Rachel Davies
Barrister

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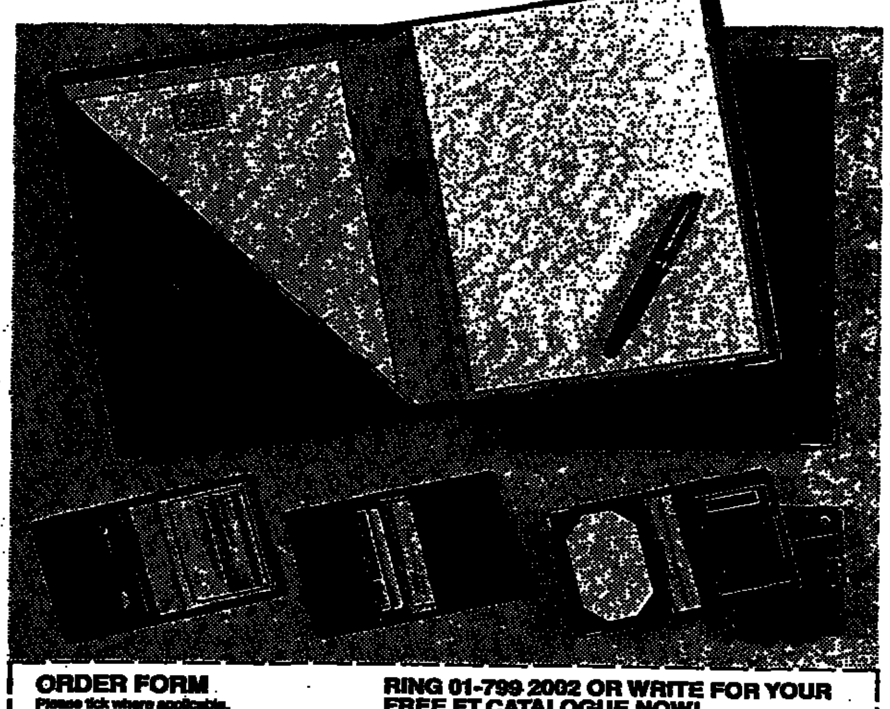

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MANAGEMENT: The Growing Business

The search for premises

Releasing a brake on business growth

Charles Batchelor reports on managed workspace

Aztec Video, like many other new businesses, started life in its founder's living room. It was only when Mike Johnson began looking for larger premises to house his banks of video recorders that his real problems started.

Johnson had two false starts in his search for workspace. The first time the lease turned out to run for just nine months when he had been assured in writing that it was for 21 months and the second time the landlord decided he wanted to put the premises to other use. On both occasions, Johnson calculates, he spent £1,000 on legal fees.

"Finding premises was the most difficult part of getting started," says Johnson. "I was dealing with 'professional' people whose behaviour throughout was characterised by a lack of professionalism."

When the second deal fell through Johnson turned in desperation to the Blackfriars Foundry, a former Victorian factory building in Southwark, South London, which had been converted by the London Enterprise Agency (LEntA) into 56 small workshops, offices and studios. Five days later and four months after he had begun his search for premises, Johnson moved in.

Aztec now rents two units providing a total of 1,340 square feet of space for £2,000 a month including rates. The company has three employees, and turnover from video copying, plus video and audio equipment hire, is expected to reach £500,000 in its first full year. Johnson would like to take over a third unit in the foundry but expects he will probably have to move out to larger premises nearby.

The problems which Aztec encountered in its search for premises are not unique. A shortage of small workshops and offices has long been a brake on the growth of many young businesses. A survey* of local authority assistance to small business published last April reported that 99 per cent of councils were short of industrial land and premises.

The survey reported that the private sector was unwilling to invest in small business premises because small firms tended to fail more often and to move more frequently than larger companies, while local authorities faced tough controls on capital spending.

Efforts are being made by a number of concerned organisations to improve the availability of small workspaces. "But the problem is that the growth in the number of small premises has not kept pace with the growth in the number of small businesses," says David Grayson, a director of Business in the Community, the umbrella organisation for Britain's 300 local enterprise agencies.

One suggestion being looked at by BiC is for the management of small business space to be taken on by the local enterprise agency, relieving the developer of the expense and time of dealing with large numbers of small tenants.

Meanwhile, the Rural Development Commission, a government-funded body, spends nearly half of its total budget (of £36m in 1988/89) on building small workshops in country towns and villages. In addition, some 400 managed workspace buildings, similar in purpose to the Blackfriars Foundry, have been created in recent years.

Few of these workspace developments would have been possible without government or local authority support or the donation of redundant premises by the original commercial owner.

The Blackfriars Foundry was created from a derelict factory building provided by the City of London Corporation and converted at a cost of £3.2m with the help of funds from the Government and from LEntA's commercial backers.

Space costs between £21 a square foot, excluding VAT but including rates and shared services, for offices, and £12-£13 a sq ft for workshops. These rates are nearly at market level, says Robin Lane, a Sainsbury secondee who manages the foundry. The generous subsidies which some workspace managers used to provide for their tenants in the past are now seen as encouraging dependence and making it more difficult for recipients to adjust to market realities.

Managed workspace is intended to provide a supportive environment for small firms at the vulnerable stage of their development. Most rent out space on monthly licences which allow tenants to move out or move on with the minimum of red tape. Commercial property, by contrast, is normally let on long-term leases which require the tenant to find someone to take it over if he leaves.

Many managed workspaces provide the services of a receptionist, a secretary and access to shared fax machines, photocopiers and word processors. They may provide conference rooms and a canteen and the manager looks after the chores of installing telephones and arranging for building maintenance and security.

Jacqui Sheard, a graphic designer, says one of the features which persuaded her to move to the foundry was the conference room which allows her to meet clients in presentable surroundings. When Sheard struck out on her own just over a year ago her former employer let her use a basement office. "The problem is that the design world is very competitive and I did not want them to know who my clients were," says Sheard.

The only space on offer was either a single desk in another designer's office (a common way for young designers *starting out*) or an entire office floor, though she was shown one "awful, poky and expensive" studio property which she turned down.

Her business, Fox & Sheard, now rents 450 sq ft at the foundry and employs three full-timers and two freelance designers. She expects to achieve turnover of £100,000-£150,000 in the current year and is considering moving to a larger studio in a former school which LEntA is now converting nearby.

One advantage of renting space in a managed workshop is the contact with other small companies on the site. Running a business can be lonely but problems can be discussed either with the manager or other businesspeople in the building. Tenants also place business with other companies. Sheard has worked with an interior design company and uses a courier company, both based in the building.

One effect of all this assistance is to reduce the failure rate. Robin Lane estimates that one in five of the businesses in the foundry fails within the first two years compared with one in three in the small business sector generally.

Managed workspace has made an important contribution to the success of the small firms sector in recent years though a study being carried out at Leeds Polytechnic challenges some of the assumptions which have been made.

The Leeds research, which is due to be published shortly, questions whether managed workspace is an efficient way *of providing small firms with* premises. Many of the small firms in managed workshops do not make use of the services which are provided and would do just as well in cheaper, unmanaged space, says Howard Green, professor of urban planning.

Better value could be got from managed workspace if the property's managers were more active in helping their tenants improve their performance, possibly by providing training courses, suggests Green.

This may not prove easy, however. The Blackfriars Foundry has arranged counselling sessions but finds it is difficult persuading tenants to take part. "They don't always want to be told what to do," says Lane.

For companies which simply want no-frills small-scale premises there has been an increase in interest in this sector from commercial developers. The London Small Business Property Trust and the National Small Business Property Trust were set up in 1982 and 1988 respectively to fill the gap left by conventional investors.

"The main institutions are not interested in this sort of property," comments John Burgess, secretary to the trusts. "But we argue that if you get the right team to manage it it is a good investment."

The strength of demand for smaller premises has meant rents have risen strongly in recent years, though the impact of recent interest rate rises has slowed demand for both property for sale and for *rent.* "*Demand and supply are* coming more into balance," says Dermot Driscoll, a partner in Granby Martin, whose firm advises the two trusts.

The uncertain economic outlook and the imminent introduction of the Uniform Business Rate may mean that rents for small company premises continue to mark time. But in the longer term the commercial property market still has a long way to go to meet the needs of small firms.

**Local Authority Assistance to Growing Businesses. By Coopers & Lybrand Deloitte.*

Ashley Ashwood

Mike Johnson: moved into Blackfriars Foundry after two false starts involving £1,000 in wasted legal fees

The VATman gives and takes

The rules governing the way Value Added Tax should be calculated are horrendously complicated; the requirement to pay VAT on all sales, irrespective of whether the customer ever settles the bill, can leave the supplier out of pocket for years. Moreover, registering for the tax or simply accounting for it can be a fiendishly difficult exercise.

John Major, the Chancellor of the Exchequer, acknowledged some of these problems in his Budget speech last week. Cash flow, he declared, was particularly important for small and growing businesses. *In order to improve it,* he introduced two new measures.

The first relaxed the rules on timing for a company trying to obtain VAT relief on a bad debt: relief is now available for all debts over two years old and written off instead of only when the customer has been declared insolvent. The second simplified the rules for traders registering for VAT.

Small businesses will no doubt welcome these changes, but they should not in any way feel complacent about their VAT affairs as a result. For several years now, Customs & Excise has been toughening up the rules on prompt and accurate payment of VAT liabilities. Next week, that process culminates in the introduction of draconian provisions designed to increase compliance with VAT still further.

A Serious Misdeclaration Penalty will be introduced as from April 1. Companies will face this if they "under-declare" the amount of VAT due on their VAT return or if they claim repayment to which they are not entitled. A *misdeclaration* will be deemed serious if the amount of VAT misdeclared equals or exceeds 30 per cent of the amount actually owed or owing, or if it amounts to £10,000 or 5 per cent of the VAT actually due.

The penalty will be 30 per cent of the amount misdeclared. It will be possible to appeal against the penalty, but guidelines from Customs & Excise say that it will not be a reasonable excuse to argue (a) that you cannot afford to pay, or (b) that employees or advisors failed to perform a task correctly on your behalf.

On top of that, default interest will be introduced; where businesses under-declare or overclaim their VAT, they will have to pay interest charges on top of any penalty for serious misdeclaration.

According to Ian Somerville, a partner in Coopers & Lybrand Deloitte, a company must be familiar with the rules that apply to its particular industry if it is to stay on top of its VAT affairs. He says it is also just as important for a company to have an efficient accounting system which will show precisely how much it has charged its customers or paid for its supplies, and how much of the total is VAT. Sloppy accounting can easily lead to serious misdeclarations, and under the new regime, that will lead to serious penalties as well.

David Waller

Responding to the shock of the new business rate

By Charles Batchelor

Up to 900,000 small businesses face rate increases under the *Uniform Business Rate* to be introduced on April 1.

The new rating system is being brought in despite a determined lobbying campaign by a number of small business organisations over the past two years.

A three-point action plan to allow small businesses to respond to the new rate has been proposed by David Powell, head of Small Business *Services at National Westminster Bank.*

Powell's advice to small business owners is:

● Contact your local business rates office to find out the new rateable value of your premises. By multiplying this by the new rate poundage – 34.8p in England and 36.8p in Wales – you can assess the amount payable.

Remember, though, that increases cannot exceed 20 per cent plus inflation for the first year.

● If you believe the rateable value is too high, get a second opinion from your trade association or chamber of commerce; they will have an overview of comparable local rates. Any appeal must be made to your district valuation officer by October 1 1990 but you will probably need the help of an independent professional valuer.

● Review your profit and cash flow forecasts and assess the impact on your business.

Even a small increase in the rate charge could be significant, particularly given the *current high level of interest* rates. Consult your bank manager early if you need to increase your borrowings.

Businesses which buy new property on or after April 1 will not benefit from the phasing-in arrangements and will have to pay the full rate immediately, Powell adds.

Relocation to cheaper premises is therefore unlikely to be an option though some new businesses may consider locating in the north of England where most premises will attract lower rates than previously.

In brief...

■ The Gallaher Business Challenge for the best performing small businesses in Northern Ireland employing up to 100 people has been extended this year to encourage the innovative entrepreneur and those making special business *plans for the Single European* Market. Prize money totalling £21,500 is available in four award categories. Closing date for entries is May 26 1990.

Contact The Co-Ordinator, Gallaher Business Challenge, Freepost BE1727, Belfast BT15 1BR. Tel 0232 328000.

■ The Thirteenth National Small Firms Policy & Research Conference, Britain's main conference for academics, policy makers and others involved with small firms, will take place on November 14-16 in Harrogate, North Yorkshire. The theme of this conference will be Towards the 21st Century – Key Policy Decisions.

Abstracts of proposed papers should be sent to Conference Organiser, Leeds Business School, 80 Woodhouse Lane, Leeds LS1 8AB. Tel 0532 832600. Fee £250 plus VAT for members of UK Enterprise Management & Research Association. £300 plus VAT for non-members.

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The Joint Administrative Receivers, J. J. Schapira and J. S. Baird invite offers for the business of the company which manufactures graphic machines and accessories. Operating from leasehold premises in Bourne End, Buckinghamshire, the company has 20 employees and an annual turnover of approximately £600,000.

For further information please contact J. J. Schapira ACA or T. P. Howes ACA, Pannell Kerr Forster & Partners, New Garden House, 78 Hatton Garden, London, EC1N 8JA. Tel no. 01-831 7393 Ext. 2181 Fax no. 01-405 6736

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Mr Malcolm Roxburgh,
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The Scottish Transport Group,
Carron House,
114/116 George Street,
Edinburgh EH2 4LX

The contents of this advertisement, for which the Scottish Transport Group is solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Coopers & Lybrand Deloitte as a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

The shares in Midland Scottish are not traded on a recognised or designated investment Exchange and as a result there is no recognised market for the shares.

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For further information please contact the Receiver

Mr S K Singla FCA
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49 Queen Victoria Street
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Phone 01-236 2184 Fax 01-236 4944

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Interested parties should please contact John F Powell, Joint Administrative Receiver, or Michael Horrocks at Cork Gully, 43 Temple Row, Birmingham B2 5JT.
Telephone: 021 236 9966 Fax: 021 200 4040

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For further details please contact the Joint Administrative Receiver:
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KPMG Peat Marwick Corporate Recovery
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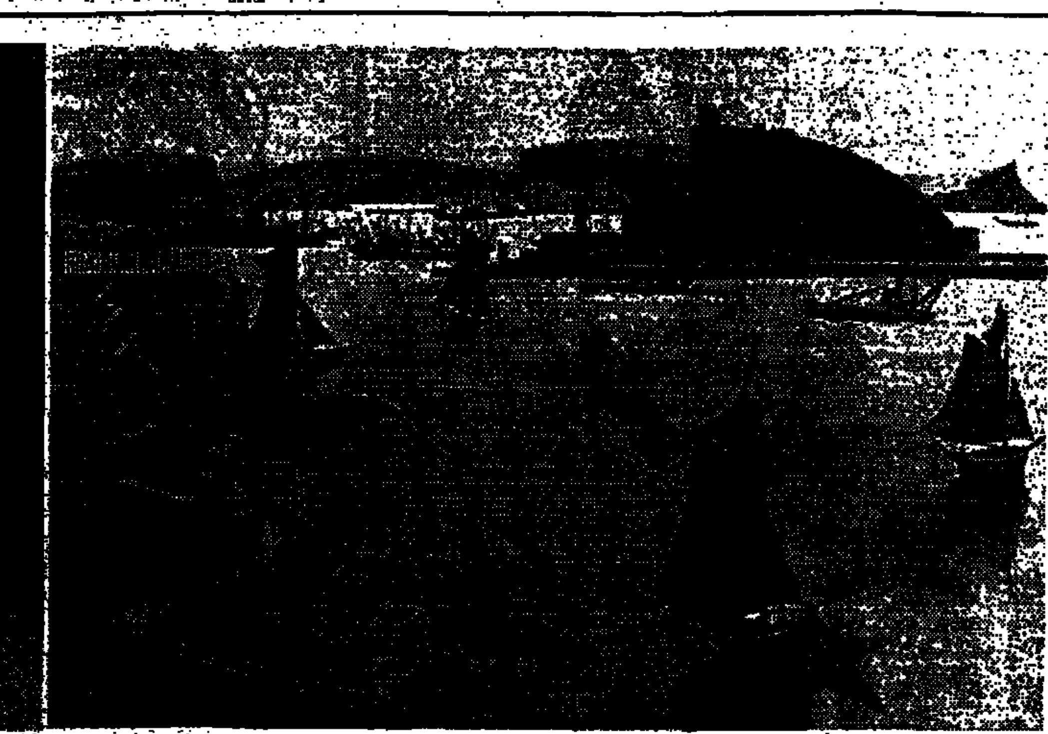

'Jennie as Infanta' by William Nicholson, 1910; and 'The Cattewater, Plymouth Sound,' by Edward Wadsworth

Another look at two under-rated talents

William Packer reviews exhibitions at Browse & Derby and the Camden Art Centre

Sir William Nicholson died in 1949 at the age of 77, apparently full of the honours and distinctions the British art world affords. Yet already he had become something of a minor and peripheral figure. Today, if he is remembered at all for his art, it is only as one of the Beggarstaff Brothers, with James Pryde, his brother-in-law, author of some of the most collectable prints and posters of the 1890s – the Sporting Almanac, the Alphabets, London Types, Queen Victoria.

Even that is a marginal and particular fame. Since the War his only real claim has been passing reference in the biographical dictionary as father of Ben, in the received wisdom of our age, as one of the pillars of British modernism. But at least Roland, Browse & Delbanco and now Browse & Darby, have always kept a few prime examples to hand, to *keep some interest alight*.

Their current show does rather more than that, too small perhaps to be a true retrospective, but filling the gallery with characteristic works across the full range of his practice, the portraits, still-lifes and landscapes besides a print or two, and including several significant loans (19 Cork Street W1: until April 21). It is not only one of the most ravishing treats currently to be had in London, but enough to test our critical prejudice to the full.

Nicholson *père* was manifestly a fine draughtsman, possessed of that assured fluency upon the soundest academic base that was so much the character of British artists in his time – Lavery, Orpen, Kennington, Munnings, John. But his particular gift was to carry that technical assurance through into a handling of the paint that was at once graphic and painterly, rich on the surface yet swift and fluent in its application. And to this quality he married a sense of design, simple, subtle and crisp as a lettuce, that was quite his own.

It is here that we begin to consider Nicholson *fils*, and not entirely to his advantage. For we can see directly that the incisive graphic simplicity upon which he built his entire career was not quite the radical originality we had supposed. There it all is, subtly subsumed within his father's broader painterly scope and interest, but there nonetheless. And the suspicion begins to nag away that charming and delicate as Ben's mannered faux naivety may be, which indeed he never shook off in his long career, it served also as useful disguise for the lack of that graphic ease that William so obviously enjoyed.

Suddenly we confront Ben Nicholson's essentially graphic limitations as an artist. For all his critical importance, he was never the true painter that his father, almost effortlessly, always was. Sir William Nicholson has been too much under-rated and dismissed. As a landscape painter he is wonderfully sweeping, simple and direct; as a portraitist punctilious in observation, technically brilliant. But it is as a painter of still-life, most especially the intimate arrangement of but a few objects, a jar, a pot, a flower or two, that he is remarkable. There is no better painter of still-life in British art.

Edward Wadsworth, who too died in 1949 but at only 60, has also suffered in reputation, though more by critical containment than actual neglect. Wadsworth the young Vorticist is known and celebrated, and Wadsworth of the wartime woodblocks of ships in dock and the Dazzle camouflage. And there is the Wadsworth of the industrial landscape drawings after the First World War, and the paintings of Marseilles streets, and French harbours, and the marine still-lifes of the 1920s and 1930s, and finally the abstracted still-lifes of the 1940s. All are known, yet stand distinct and unrelated.

The Edward Wadsworth exhibition, *A Genius of Industrial England*, that now comes from Bradford to London, to the Camden Arts Centre (Arkwright Road NW3: until April 22), does much to set the matter straight, though in one sense, if unintentionally, it does rather confirm that view of an artist of distinct and separate phases. The epithet "industrial" is something of a puzzle, pointing more the contrast between the younger vorticist and immediately post-vorticist, and the older francophile and beachcombing bucolic. It is true that Wadsworth's immediate interests were always all-absorbing and hermetic.

But connection there is, albeit subconscious and intuitive. It is not to be found in the subject-matter, nor in any close theoretical reading of the work, but rather in its formal character. No matter how much an artist, any artist, may seem to change in his work over an extended career, for good or bad it remains his work, subject to his hand, the product of his gifts and limitations, of his vision and sensibility. Only at a certain distance does it reveal itself all of a piece.

So it is here. There is no difficulty in relating the waste-tip and slag-heap drawings to the earlier Dazzle prints and pre-war Vorticism, but their usefulness is in sustaining the direct link to the tempera painting of the 1920s, and through the abrupt shift its seems to represent. The medium may change, and the subject too, but the late-cubist treatment of the landscapes of hills and towns leads on directly enough, and so on again from the general to the particular of sea port and harbour front. Closer still, the artist moves in to the still life of propeller and float, seashell and seaweed, buoy and mast, and so on obviously towards abstraction.

And still, in those curious, theatrical, metaphysical ensembles of Wadsworth's mid-career, of poles dotted orchard-like across the sand in the bright sunshine, we can discover all the sharp and critical definition of the earliest works, the vorticist drawings of trees in the landscape, or reflected in the waters of a pool. The starfish is a propeller, the seaweed a girder, the box a distant tower. It all comes together in the end.

Nash Ensemble

WIGMORE HALL

The Nash twenty-fifth birthday celebrations go on and on, and for Saturday's concert their director Amelia Freedman must have set out to devise *the* Nash programme. At any rate, that was just what it was: a Fauré piano quartet, the Poulenc sextet, some Debussy, Ravel's Introduction and Allegro and a smallish new piece – all performed with unwavering commitment and style, and the Poulenc and Ravel quite brilliantly.

The new piece, a birthday commission (with help from IBM), was Simon Holt's *Sparrow Night* for ten players, inspired by a scene of moonlit foreboding in a Chekhov story. At a quarter-hour long it should be more than a miniature, but it seemed less communicative than Holt's best pieces: it made the expected evocative sounds – tremulous, glassy, chill – without a strong dramatic sequence. Designed for the fine Nash oboist Gareth Hulse, it keeps his instrument cruelly high, and constantly challenged by a flamboyant horn-part. Hulse coped bravely. Of course, but the colour-resources of the instrument are slender up there, and if his role is meant to be a guiding thread, it wasn't.

Frank Lloyd's horn whooped through Poulenc's piano-and-wind Sextet with astounding confidence, and the bassoon's lyrical moments could not be more beautifully realised than by Brian Wightman here. This whole performance was a model of style, wit, high spirits and *superb* technique: delectable. In the evergreen Ravel, the formidable Skaila Kanga again made one suspect that most other harpists play only a prudent selection from what the composer wrote. There was a single fumble, quickly recovered – if memory serves, in the same bar as in a South Bank performance a year or two back; I conclude that the bar is unplayable, for Miss Kanga is to the harp what Cecilé Ousset is to the piano.

Ravel's accompaniment, exquisitely realised, offered an extra opportunity to admire the fresh subtlety of Duncan Prescott, the new Nash clarinet, but really all the playing was marvellous. Miss Kanga's energetic authority is perhaps a bit high-voltage for Debussy's fey *Danses*, though the proud flair of her "Danse sacrée" was striking. Fauré's Piano Quartet no. 2 wanted only a stronger lead from the strings to match Ian Brown's *assured piano (dazzling in Poulenc, by the way)*; otherwise the familiar Nash readings was as judicious and warmly sympathetic as always. These people are indispensable.

David Murray

Ixion

PURCELL ROOM

Modern music ensembles come and go – where now is Lysis or Suoraan or even The Fires of London? But Andrew Toovey's group Ixion (founded in 1987), which made its South Bank début on Sunday evening, is as purposefully-minded as any and more burningly committed than most. What they are committed to appears to be a notion of music as rawly emotional, expressively unconstrained, and intellectually underpinned. A critic of their earlier concerts suggested that in a typical Ixion piece one may detect "somewhere behind the notes, a sense of passionate philosophising."

That seems true enough, although the ensemble is open to the transfigured simplicity of Morton Feldman's music – one of whose early pieces gave them their name, and whose brief, beautiful *Durations 2* (1960) for cello and piano was included in this programme – as well as to the rigours of the "new complexity" as epitomised by Michael Finnissy's third piano concerto and James Dillon's *Crossing Over* (1978) for solo clarinet and eight music stands.

Chris Newman's new piece, *Big Alsace*, for what appears to be the standard Ixion line-up of piano, oboe, clarinet, two trombones, cello, double bass and conductor (Michael Finnissy), could not have been much simpler, nor much odder: in it a squad of brash bright singular sounds marches between passion and obscure parody.

Andrew Toovey's new *Adam*, for the same ensemble minus the piano, effects a striking synthesis of Finnissy-like complexity and Feldman-like stasis. Its 14-minute span comfortably embraces strident instrumental antagonisms and passages of almost absurdly simple accord. Even at its most texturally elaborate it is lucidly devised; all the notes tell, and it was a pity that some of them were inevitably scamped on this occasion – the premiere.

A curious, rather lovely suite of six movements (receiving their first performance) for various combinations of piano, oboe and cello by the group's phenomenally dextrous young pianist, James Clapperton, presented another version of the same synthesis. *The Parliament of Four Futtit Beasts*, paying homage to Robert Henryson's medieval fable of the same name, draws at once on a ruminative Scottish pastoralism and a more modern sensibility to which the piano part's crystalline growth of figuration is natural.

That sensibility is enshrined in the Finnissy concerto (1978) for piano and six instruments in which Clapperton as soloist (the composer was conducting) wielded great swatches of notes with implausible ease. The work, for all its notational complexity, is meant to, and does, sound like a spontaneously inspired piece of ultra-modern jazz. It made an electrifying end to a most substantial concert.

Paul Driver

Alfred Brendel

ROYAL FESTIVAL HALL

Alfred Brendel filled the Festival Hall for his afternoon piano recital on Sunday. His programme was Austro-German, rather earnest, and rather unusual.

He played, for instance, two Romantic works which are not so often heard these days – Weber's Sonata No. 2 in A flat and Mendelssohn's *Variations sérieuses*, Op. 54. He began though with a nicely-turned account of one of Haydn's sonatas, the G minor, Hob. XVI.44, the first of whose two movements is exceptionally subtle and urbane. Much was made of its surprising and dramatic pause two-thirds of the way through.

Next came Brahms's extremely sober Four Ballades, Op. 10 – the first a tale of patricide which Brendel despatched in his business-as-usual manner, the third an enlivened intermezzo with a trio for which the pianist produced scoops of treble iridescence, the last an extended desolate Andante which came over as rather *soothing* and *not* Schubertianly broad enough.

The Weber sonata was boring as only Weber can be – all flourishes and figurations, chromatic scales and pat accompaniments, with virtually no musical marrow. Only the Menuetto third movement managed to hold the ear even for a few moments; the fault not with the performance, but that it was programmed at all.

The Mendelssohn work, on the other hand, was a treat: concise, inventive, colourful, immensely skilful, and offering rich sophisticated textures which came as a relief after the brittle artifice of the Weber, and which Brendel rendered with perfect aplomb.

His account of Beethoven's *Appassionata* sonata, ending the concert, was strong and sure, impeccably detailed (Brendel makes only the faintest of fingerslips), certain of its impact, and if not exactly seasoned, then utterly professionalised. He was not so much playing from the heart to the heart as doing a good job of work, and the crowd loved it.

Paul Driver

Keller Quartet

WIGMORE HALL

The Keller Quartet was only founded in 1986 – its members are graduates of the Ferenc Liszt Academy of Music in Budapest – but already sounds as good as any quartet could hope to. Its leader, András Keller, is slightly known in this country from his brilliant performances with the soprano Adrienne Csengery of György Kurtág's 70-minute virtuoso duet, *Scenes from a Novel*; and the group gained recognition here when it won the Bartók Prize at the 1988 Portsmouth string quartet competition.

Their Wigmore Hall recital on Friday left one hoping that they will frequently return to London. The controlled shimmer of the opening of their first item, Debussy's G minor quartet, gave immediate evidence of perfectly formed ensemble. Their account of this movement had just the right degree of fragrance and nothing of preciosity. Its scherzo successor, flecked by *pizzicati*, sounded deliciously compact; while the solo lines for the respective instruments in the plaintive, muted Andantino third movement confirmed one's impression that the players are uniformly gifted.

Again, in the Andante of Schubert's *Death and the Maiden* quartet they showed themselves to be a quartet of soloists – Keller's execution of the violin obbligato was effortless and beautiful – who are nevertheless able to accompany each other with the greatest sensitivity. Inner parts were lambently alive in everything they played, and it was no surprise that the busy combination of voices in Schubert's Presto finale had exceptional clarity and eloquence. The performance as a whole combined sheer horsehair-on-catgut vitality with sheer immaculateness.

To the slowly unfolding, astringent counterpoints of the first movement of Bartók's second quartet they brought the benefit of flawless intonation and a keen instinct for the distribution of sonorous weight. The texture was firm-bodied, lithe; and a discreetly applied forward pressure ensured a satisfying delineation of the movement's formal shape. The harshly skittering Allegro middle movement was perhaps a shade mannerly; but the slow finale had an authentic bleakness of lament, through which a certain warmth was acceptably glowing by the end.

Paul Driver

Camden Jazz Festival

TOWN & COUNTRY CLUB

A night with Blue Note, a showcase of the label's newest talent, closed Camden's 17th and somewhat diminished jazz festival on a high note.

The biggest delight of the night was talented French piano player, Michel Petrucciani. A yard high (he suffers from the condition glass bones disease), Petrucciani is a huge romantic. He hails from Orange in the South of France where he was born into a jazz family to a father who played like Wes Montgomery. "Discovered" by trumpeter Clark Terry at a local jazz festival, Petrucciani has gone on to pick up Jazz's glittering prizes from his base on the US West coast.

Playing a selection from his repertoire, which covers bebop, Brazilian and a sort of funk, Petrucciani is easy to warm to. Always lyrical, and with a sound softened by synth accompaniment, this Sunday's outing found him in particularly happy and enthusiastic form.

The energetic 27 year old, often seeming in danger of toppling from his stool, enraptured the full house of the Town & Country Club. Playing with a warmth and sensitivity often associated with his idol, the late Bill Evans, Petrucciani drew a huge repose from the crowd. Swinging, with compositions like "Nana Oye" from his latest recording, *Music*, he even had them singing along. With "Round Midnight," he had them crying out for more.

Baldheaded, bearded and bespectacled does not usually describe a guitar hero. It does John Scofield, and he is. A Miles Davies sideman for three years and three albums, the avuncular 38 years old American has gradually developed a style all his own, melding (hard) rock with Jazz – which doesn't quite come out as fusion.

Alongside his favourite saxophonist Joe Lovano, with Anthony Cox (bass) and John Riley (drums) making up the rhythm section Scofield played a tough selection from his new (and first) Blue Note album, "Time on My Hands."

Scofield and Lovano are old partners and it shows in numbers like "Wabash II" and "Big Fan;" Lovano loud and pacey and Scofield meanwhile wringing out the chords. "Nocturnal Mission" and "Since You Asked," both from the album, had them swapping more gentle solos.

Also pushing a new album, *A Waltz for Grace* (Verve), is British saxophonist Steve Williamson. Headlining at the section of the Festival programmed by Jazz Against Apartheid, the ex-Jazz Warrior and one time Messenger, looked and sounded very sharp. Reminiscent of soul star Bobby Brown, with sax miked up to allow excursions around the stage, even Williamson's sound has a hard souled edge to it. One to watch.

Garry Booth

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FINANCIAL TIMES

ARTS GUIDE

March 23-29

OPERA AND BALLET

London

Royal Opera, Covent Garden. A newly staged production (in old sets) of *Die Meistersinger* by John Cox introduces two renowned Wagner portrayals – Bernd Weikl's Hans Sachs and Hermann Prey's Beckmesser – to London audiences. Christoph von Dohnanyi conducts. Final performances of the new production of Strauss's *Elektra*, a particular triumph for Eva Marton in the title role and the conductor, Georg Solti; and of the *Elisir d'amore* revival, with Luciano Pavarotti, Daniela Mazzucato, Rolando Panerai and Ingvar Wixell.
English National Opera, Coliseum. David Pountney's witty, sharp-edged production of Prokofiev's *The Gambler* is revived with Graham Clark once again in the leading role and the conductor (house debut) is Sian Edwards. Also in repertory: *The Mikado* in Jonathan Miller's celebrated "white-hotel" and the season's final performance of Pountney's polemical (and problematic) *Traviata* production.

Paris

Bastille Opera. The newly inaugurated opera house continues with *Les Troyens* by Berlioz. Myung Whun Chung is conducting the Paris Opera Orchestra and Choir and the production is by Pier-Luigi Pizzi. Cassandra is sung by Grace Bumbry. Palais des Congres. (40011789).
Kirov Ballet dances *Swan Lake* with the French star Sylvie Guillem. Théâtre des Champs Elysées (46409511).
The Russian School of Dancing starring Vladimir Vassiliev perform *Sleeping Beauty, Swan Lake* and *Nutcracker Suite* (47203637).

Amsterdam

The Netherlands Opera. *Hänsel und Gretel* by Humperdinck, directed by David Pountney. The National Ballet with the world première of a new ballet by Rudi van Dantzig to music by Kancheli, *Voorbij gegaan* (Van Dantzig/Chopin), and *Brahms-Schönberg Quartet* by Balanchine (Tue, Wed). Muziektheater (255 455).

Barcelona

Gran Teatre del Liceu. Janos Kulka conducts Musorgski's *Boris Gudunov*, with Nicolai Ghiavrov, Eva Randova and Walter Donati (318 92 77).

Milan

Teatro alla Scala. Pierre Romans's excellent production of Mozart's *La Clemenza di Tito*, conducted by Ricardo Muti. Also first performance of Keita Asari's version of *Madama Butterfly*, conducted by Gianandrea Gavazzeni (80.91.26).
Teatro Nuovo. Actress Valentina Cortese and ballerina Carla Fracci are the somewhat unlikely couple chosen to impersonate Eleonora Duse and Isadora Duncan in a sort of illustrated lecture based on the correspondence between the two, produced by Beppe Menegatti and Rita Ribont (78.12.19).

Rome

Teatro dell'Opera. Lyrical and sentimental rendering of Massenet's *Werther*, conducted by Nicola Rescigno, with splendid performances by tenor Alfred Kraus in the title role and Martha Senn as *Charlotte*. Franco Mannino's *Il Principe Felice* opens this week, conducted by the composer, in Sandro Sequi's excellent production from La Scala in Milan using sets and costumes with strong Chagallian overtones, by the inventive and versatile Emanuele Luzzati (46.17.55).
Teatro Olimpico. Three recent works by the German choreographer Susanne Linke: *Affekte, Dolor* and *Affectos Humanos*. Opens Wed (393304).

Venice

Teatro la Fenice. Luca Ronconi's production of Mozart's *Cosi Fan Tutte* conducted by Peter Maag, with Anna Caterina *Antonacci, Lucianod'Intino* and Natale de Carolis (5210161).

Berlin

Opera. *Der Barbier von Sevilla* is a well done repertoire performance. A ballet gala in honour of Eva Evdokomova's 20 years on the stage with three Stravinsky ballets jointly choreographed by Maurice Bejart and George Balanchine. *Der Rosenkavalier* returns with a new cast. *Der Troubadour* is a Herbert von Karajan production. *Manon Lescaut* has a strong cast led by Anna Tomowa-Sintow, Giorgio Lamberti and William Murray. *Der fliegende Holländer* rounds off the week.

Hamburg

Opera. *Tosca* is well sung by Leona Michell, Giacomo Aragall, and Ingvar Wixell. *Matthaeus-passion*, danced to music by Bach has wonderful John Neumeier choreography. *Tannhäuser*, produced by Harry Kupfer under Gerd Albrecht will have its premiere with a first-rate cast led by Rene Kollo in the title role. *Fausts Verdämmnis*, sung in French features Delores Ziegler, Keith Lewis and Jean-Philippe Lafont. *Romeo et Juliet* is also choreographed by John Neumeier.

Cologne

Opera. *Simon Boccanegra*, newly produced by John Dew with sets by Gottfried Pilz was well received, when it opened last week.

Frankfurt

Opera. *Ariadne*. Karan Armstrong, Helena Doese, Hellen Kwon and Michael Sylvester. Johannes Schaaf made a very successful opera debut as producer of Shostakovich's *Die Nase*. Excellently conducted by Oleg Castani. Also offered *Rigoletto*.

Bonn

Opera. Concert versions of *La Donna del Lago* conducted by Henry Lewis. The new wonderful lively *Barbier von Sevilla* production by Willy Decker was well received, when it opened with Ernesto Parlacio, Bruno Pratico, Jennifer Larmore, Alberto Rinaldi and Luigi Roni. Also *Coppelia am Montmartre*, danced to music by Leo Delibes, choreographed by Bonn's ballet director Youri Vamos.

New York

Metropolitan Opera. Franco Zeffirelli's new production of *Don Giovanni* continues, conducted by James Levine with Carol Vaness, Karita Mattila and Jerry Hadley. James Levine conducts *Die Entführung aus dem Serail* in John Dexter's production with Mariella Devia, Barbara Kilduff and Gosta Winbergh. The last performance of Gian Carlo Menotti's production of *Manon Lescaut*, conducted by Thomas Fulton, features Mirella Freni, Peter Dvorsky and Italo Tajo. The final seasonal performance of Harold Prince's production of *Faust*, conducted by Charles Dutoit, has Ashley Putnam as Marguerite, Delores Ziegler as Siebel, Francisco Araiza as Faust and James Morris as Mephistopheles. Lincoln Center Opera House (362 6000).

Washington

Washington premieres of *Brief Fling* and *A Birthday Offering*. American Ballet Theatre. Kennedy Center Opera House (467 4600).

Tokyo

Don Quixote, performed by the Asami Maki Ballet Company. Tokyo Bunka Kaikan. Tues (360 8251).

Sankaijuku. Japan's leading buto dance troupe perform a new work entitled *Shijima*. Bunkamura, Theatre Cocoon. Opens Tuesday.

SALEROOM

Fauve back in favour

Paris is firmly re establishing itself as a major international art centre. On Sunday Guy Loudmer, one of the leading Commissaire Priseurs, the functionary's entitled to organise auctions, secured a record for an auction in Paris of Ff586m (over £60m), setting numerous artist records on the way.

The highest price was the record $11.5m. paid for a Modigliani portrait of 1918 of a shop girl in a black blouse and blue skirt. But the most significant new highs were for two Fauve paintings of around 1904, the $11.3m for a Vlaminck of fishermen and the $8.4m for a Derain view of the bridge at Chatou, which was claimed at the sale for the Museum of Modern Art in Paris, and which went for $350 just after the war when Fauve paintings were out of favour. There were also record prices paid for works by Picabia – $4.4m, and Fautrier – $3m.

The sale will have reassured Sotheby's and Christie's, who are offering fairly important Impressionist and Modern art in London next week, and masterpieces of the genre in New York in May. Economic problems in Tokyo have sent a shiver through the market, but so far confidence is holding up.

This was apparent at Sotheby's tribal art auction in London yesterday which totalled £672,331, with 14 per cent unsold, a modest figure for a sector which has suffered a long period in the doldrums. The Japanese are not interested in tribal art and traditional private European buyers, plus Americans, compete over the best items.

The top price was the £165,000 paid by a German collector for a wooden male figure, 13 inches high, produced on Easter Island in the Pacific in the early 19th century. The type is familiar but this object is very rare because the head is turned to the right, and there were five telephone bidders chasing it. It is believed to represent a founding ancestor of the island, and far exceeded his £35,000 high estimate.

Among the African art a Benin royal bronze plaque, 19 inches high, of the late 16th century, also more than doubled its estimate at £77,000. It depicts a chief wearing a high beaded collar and cap. Apart from this Nigerian art was not much sought after, interest being concentrated on central Africa. Another European collector paid £66,000, at the bottom of the estimate, for a Kongo oath taking and healing figure, collected in 1903. The figure was used for moral intimidation and used in military agreements, oaths of innocence, etc.

The Entwistle Gallery in London paid £49,500 for a stool in the form of a female figure, from eastern Zaire, and the same sum secured a Kongo male figure, probably used to ward off evil spirits.

Antony Thorncroft

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Hungary votes for the right

The early results from Hungary indicate that the first fully free elections in Eastern Europe have produced a huge majority for those parties committed to pluralism and a free market. Mr Janos Kis, president of the Free Democrats, has been quoted as saying that "the rest is icing." It is a good beginning, but only the beginning.

The Free Democrats and the Hungarian Democratic Forum are close leaders, with the former currently polling around 20 per cent and the latter around 24 per cent. The Smallholders' Party is scoring in the mid-teens, the Socialists (formerly the ruling Communists) a surprisingly good 10 and the Young Democrats nearly nine. With the defenders of the old faith in the Hungarian Socialist Workers' Party going down predictably badly and the Social Democrats taking an unexpectedly low share, the vote for the self-confessed left of any kind is well below 20 per cent.

Yet this is not the mandate for radical free-market change it might seem. The ruling Socialists had already done much in the way of pro-market reforming — so much so that many, especially in the Democratic Forum, complained that they were selling off state assets too quickly. Indeed, if the Forum — which locates itself on the centre-right — now comes to power, its economic policies will in part be a reaction to what is seen as the over-enthusiasm of the Socialists for foreign capitalists.

Warring ideologies

The Forum, whose patriotic edge has done it no harm, has a mixture of warring ideologies and instincts within its ranks. Its president, Mr Jozsef Antall, has re-stated its firm adherence to the free market and abhorrence of a "third way": but this is a recent development in a party which a year ago was talking of relatively small-scale liberalisation and is temperamentally averse to the kind of "big bang" approach to economic reform pioneered by Poland.

These attitudes appear to strike deep chords in Hungarian society and are echoed in the Smallholders and other parties. They will thus be a large factor within the coalition negotiations which now start. The Free Democrats, who are themselves something of a compromise between social democracy and neo-liberalism, may find it impossible to put together a large enough political force united round a programme of fast and radical reform.

Second round

There will be some haggling in the two-week hiatus between this first and the second round of elections on April 8. But there is no obvious reason why this should produce a worse result than that in other states where coalitions are the norm. The strains which will now be visited on Hungary may best be mediated by a coalition which can pull together the two major forces — the Democratic Forum and the Free Democrats: while on the other hand, a result which puts the Democratic Forum at the head of an alliance with the Smallholders and others and excludes the Free Democrats has the advantage of encouraging the growth of a strong opposition.

Above all, the conduct of the elections has been hugely encouraging. It has, in the main, avoided demagogy and demands for vengeance. A veiled anti-semitism has been evident here and there but it has so far been discounted as minor by many of those against whom it has been directed. And the main parties showed maturity in agreeing not to make political capital out of the anti-Hungarian riots in Romania — though some individuals did break ranks.

Part of the credit for this must go to the former Communists, who moved more quickly than their comrades elsewhere in Eastern Europe to recognise the realities of the end of the Brezhnev doctrine. What can be salvaged of the socialist tradition will no doubt have a part to play in future, especially as market reforms start to bite on living standards: this would be useful, for the most likely alternative would be a narrowing nationalism and racist scapegoating. But for the forseeable future, Hungarian politics belongs in the democratic fold.

The politics of debt

At 68 per cent the rate of owner occupation in Britain is one of the highest in the developed world. But not high enough for the Prime Minister, it seems. In a weekend interview Mrs Thatcher declared in one and the same breath that inflation was unacceptably high and that home ownership was not high enough. The irony here is not just that the increase in home ownership was a factor in the present upsurge in inflation. In the aftermath of the Mid-Staffordshire by-election the case for more home ownership is beginning to look like bad politics as well as bad economics.

The problem lies in the fact that the government's enthusiasm for home ownership has done as much to turn Britain into a nation of borrowers as a nation of owner occupiers. According to a recent survey by the National Consumer Council Britain has the unenviable distinction of leading Europe in personal borrowing, with households that owe seven times as much as their Dutch or Italian equivalents thanks to disproportionately large mortgage, as opposed to consumer, debt.

Perhaps that is an inevitable consequence of the country's post-war inflationary experience. But it also reflects the enthusiasm of successive governments for tax reliefs that fuel the house price spiral — notably mortgage relief and the exemption from capital gains tax. Those fiscal distortions help explain why the personal sector's holdings of UK ordinary shares were valued at only £126bn at the end of 1988 compared with £964bn in residential property.

Unlocked savings

So, too, does the opening up of financial markets under the Tories. The removal of credit controls in the early 1980s unlocked savings that had hitherto been confined to the housing market. And the resulting ability to cash in on housing values through the process known as equity withdrawal is at the root of the collapse of net personal savings in the 1980s — a slide which was in turn reflected in the growing deficit on the current account of the balance of payments.

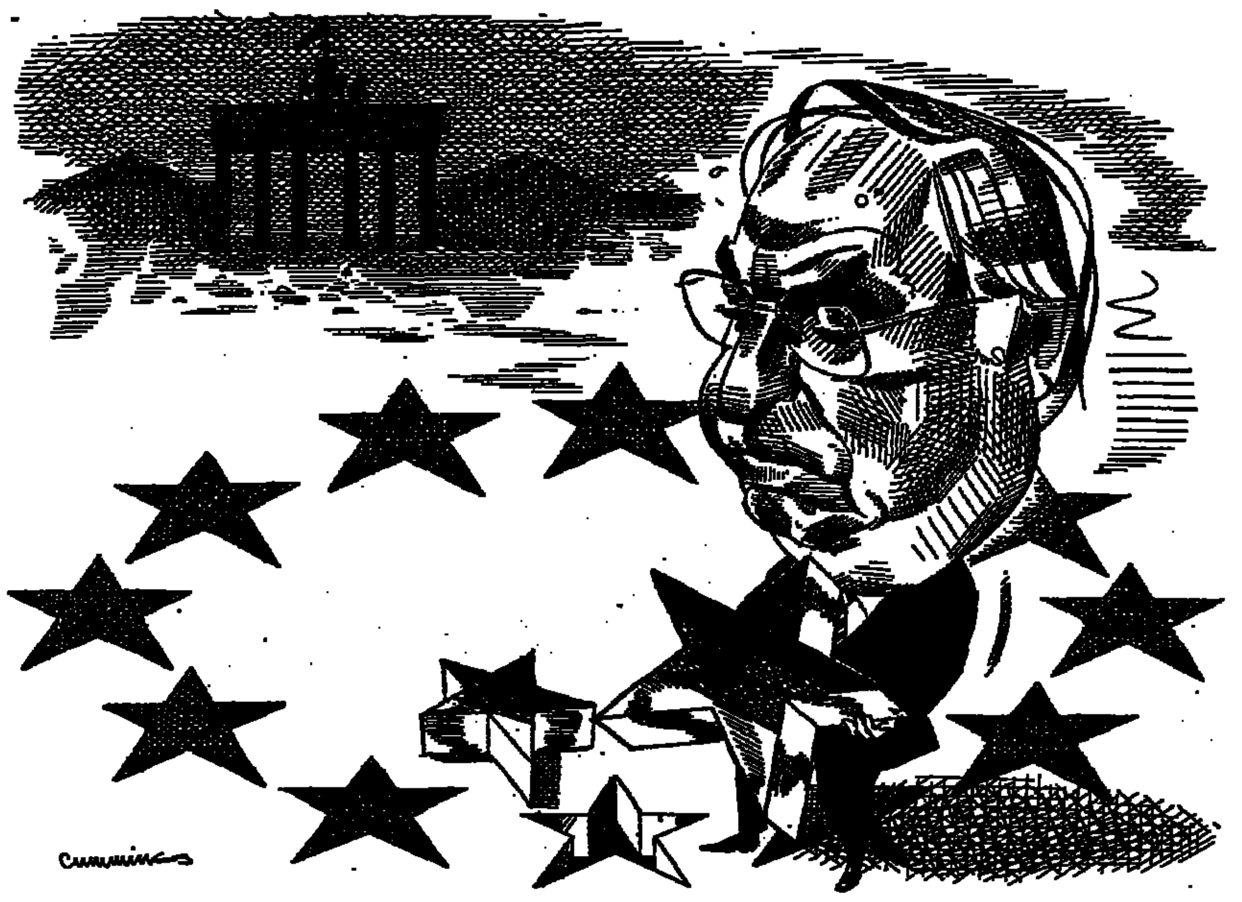
If the government has anything to boast about in this area it is surely that the fiscal distortions in housing have been allowed — against the instincts of Mrs Thatcher — to erode through inflation. The exemption from capital gains tax of larger amounts on the sale of shares in any given year, together with innovations such as personal equity plans and tax exempt special savings accounts, has also reduced the bias in favour of housing against other forms of investment.

Labour mobility

What the government has yet to acknowledge adequately is the adverse impact of high rates of home ownership on labour mobility. And it is not a sufficient rejoinder to say that the long history of rent controls in Britain has had an even worse impact on the labour market. While the introduction of assured tenancies was a step in the right direction the government has devoted too little attention to the enhancement of the public sector housing stock for those who will never find a realistic alternative. Too little of its radicalism has been directed to the regeneration of the private rented sector for the young and the mobile who can afford market rents.

Macro-economic policy, meantime, confronts the political problem that increased home ownership has so strengthened the borrowing lobby that the Chancellor's ability to raise interest rates is heavily impeded. Mr Major's statement on Sunday that he was looking for materially lower interest rates from the beginning of next year was not the kind of signal to send to potential borrowers when sterling is vulnerable. Nor is it clear how Britain will cope with the threat of a further house price spiral if there is downward pressure on interest rates when it joins the exchange rate mechanism of the European Monetary System.

The housing market still has the capacity to generate recurring accidents for British monetary policy. The prime minister's failure to confront that fact may ultimately hasten her departure.



Tying Germany to a united Europe

David Buchan and Tim Dickson examine the consequences for the EC of the merger of the Germanys

"IT IS without doubt a very good thing to provide the Germans with a more solid European roof," said Mr Helmut Kohl in Brussels last Friday.

Before he dropped in on the European Commission, the West German Chancellor knew that the vast majority of his EC partners wanted — indeed expected — a pledge that he had not forgotten Europe in his quest for pan-Germany. And he gave it.

Brushing aside previous German equivocation about economic and monetary union (Emu) in the European Community, he said that monetary negotiations, due to start in December, should be accelerated next year to take account of events in Germany. More than that, he suggested that at the end of this year EC leaders should think about holding another inter-government conference on political union. The chancellor's effusiveness came as music to the ears of Mr Jacques Delors, the Commission president, who went out on an early limb in favour of welcoming East Germany into the EC fold.

However, if this is to be the trade-off — Community help in return for a grateful Germany sinking itself deeper into a united Europe — it will not be easy. Absorbing East Germany will be an enlargement of the Community like no other. It is not just that a cornerstone of Comecon/Warsaw Pact is merging with a cornerstone of the EC/Nato. The politics and economics of East Germany's EC entry are unlike those of ordinary membership applications. For a start, there is no question of enlarged Germany being refused admittance to the club; some states might have qualms, but none would dare to try to blackball the new member.

Regardless of when the new German political entity is constitutionally created, East Germany will enter the Community's bloodstream the minute it joins West Germany in an economic and monetary union. Sure, there will be many transitional arrangements phasing East Germany into the rights and obligations of Community membership, but there will be no normal border along which to police such arrangements.

The general mood in Brussels and among Bonn's partners is to be as generous with it as possible — if not always in providing hard cash, at least in not nit-picking about rigidly applying 33 years' worth of EC rules to a state that has lived for 45 years under a quite different system.

But so far there has been precious little genuine consultation between Bonn and Brussels — even though Mr Martin Bangemann, the senior German commissioner, has had a standing invitation to attend Bonn cabinet meetings on German unity issues. It is only now, after the East German elections, that the hard bargaining between Bonn and Brussels as much as between Bonn and East Berlin, must start on:

East Germany will enter the Community's bloodstream the minute it joins West Germany in an economic and monetary union.

● Macro-economics. The first issue on which Brussels wants to be consulted is the Bonn-East Berlin negotiation over the terms of monetary union. If the two Germanys can find a route to monetary conversion that ensures that wages in East Germany are low enough to be competitive without being too low to drive still more East Germans westward then the picture is rosy.

The twin effect of an investment boom for West German companies rebuilding East Germany's capital plant and something of a spending spree by 17m extra (East German) holders of D-marks will turn Germany into a locomotive of growth, pulling the rest of the Community behind it. Growth in West Germany and the EC will, according to Commission economists, rise to 4.5 per cent and 3.5 per cent respectively this year, and 4.3 per cent and 3.5 per cent next year, before falling back under the impact of higher interest rates in 1992 to 2.7 per cent and 3.1 per cent.

● The Budget. West Germany is the EC's biggest net contributor. It paid Ecus 11.5bn (£8.62bn) into the EC budget in 1988 and got only Ecus 5.4bn back. Its contribution will diminish with the addition of relatively poor East Germany. The gap can only be closed by other net contributors (like Britain) paying in more, or net receivers like the Mediterranean south settling for less.

At the moment, however, there are more unknowns than knowns. Of the three components on which EC budget contributions are based, East Germany has no customs tariff and value added tax, while its gross national product is open to guesses. The same economic unknowns also throw out any precise calculation of likely EC spending on East Germany. According to the Commission's current guesstimate, East German gdp per head is somewhere between that of Spain and Ireland, around $6,000 (£3,750).

However, Mr Bernhard Friedmann, the German member of the EC Court of Auditors has attempted a precise calculation. He has estimated that East Germany will receive a total of Ecus 8bn a year — half from the budget (Ecus 3bn for agriculture, Ecus 1bn in regional and social fund money) and half in coal, steel and nuclear energy loans.

● Structural funds. The extent of aid for East Germany depends how the region is defined. "If there is one EC region which looks like East Germany, it is Northern Ireland with its mix of agriculture and declining industry," says one expert. Because of its special problems, Northern Ireland is lumped in with economically backward regions of Spain, Eire, Greece and Portugal as a recipient from the relatively large Regional Fund, although its precise allocation of funds has been determined by the fact that it is part of a relatively rich member state. If East Germany were treated the same, it could expect Ecus 1-2bn a year. If, however, East Germany were to draw primarily on the smaller Social Fund (designed to combat industrial unemployment) its receipts would be halved, between Ecus 700m and 1.5bn a year.

"Basically, you have to take a political decision on what money to offer East Germany and then work out the technicalities later," says one official. But the Commission is clear that extra money is needed for East Germany, which cannot be helped by raiding existing funds without causing a major revolt among poorer EC countries. All but Ecus 1bn of these funds, amounting to Ecus 60bn spread over 1988-93, has already been committed. If extra cash can be drummed up for East Germany, then some payments might be made in advance of East Germany's actual EC entry, as was done in the case of Portugal.

● Agriculture. Making the CAP (Common Agricultural Policy) fit a bigger Germany will probably the trickiest task; its rules account for four fifths of EC legislation. Two, currently very different, farm sectors will shortly have to share the same guaranteed prices. Aligning costs and reducing subsidies will be painful.

Take milk, for example. East German producers get DMs 1.71 (£0.62) per kilo, compared with a consumer price of DMs 0.68 and a West German producer price of DMs 0.73. The difference — as with a whole range of other commodities — is made up by expensive subsidies which will disappear when the two countries become one.

One possible solution, suggested by a West German expert, is to fix common prices from the outset, topped up in East Germany with declining income payments over a period of, say, four years. This would give East German farmers time to start reducing costs, and avoid the need for two "green" currencies in a single Germany. Another battle will centre on how to accommodate East German staples, such as cereals, within EC thresholds and quotas imposed to limit spending. How much to add to the maximum guaranteed quantity for cereals? East Germany's current or anticipated increased output? The choice matters, because once the limit is breached automatic price cuts come into play for all EC farmers.

Yet a further problem will be East Germany's high density livestock production — a major pollution cause — and its very low animal health and slaughterhouse standards. The latter is the reason why all the meat that West Berlin buys from surrounding East Germany is on the hoof.

● Environment. Though widely recognised as a major problem across East Germany, the most immediate Community concern is to clean up one of the country's most mobile sources of pollution — the two-stroke engines of its Trabant and Wartburg cars.

These emit 10 times more carbon fumes than allowed by EC rules. Brussels's assumption is that, with all the new joint ventures involving Western firms, East Germany will stop making new two-stroke engines. As for those on the road, the EC is considering funding research into the fitting of basic (DM 1,000 each) converters to Trabants and Wartburgs.

● Competition/state aids. Brussels will be peering closely at any mergers and state aids which give either part of Germany unfair advantage over, or cause damage in, the rest of the Community. Until East Germany becomes EC territory, Brussels has no control over what subsidies East Berlin gives its companies (though it is counting on Bonn to curb these subsidies in the monetary union negotiations). But the Commission has already told Bonn it wants new incentive schemes for investment in East Germany, such as interest rate rebates, opened to all EC companies, not just West German ones. Bonn's Economics Ministry has agreed.

But a West German diplomat warns: "There is no question that simply because the EC doesn't approve we don't give aid." The level of regional aids may also cause trouble, although one simple solution would be for Bonn to move the special aids it gives to Berlin and frontier areas further east into East German territory.

● Trade. However soon the political line between the two Germanys disappears, some kind of "administrative" frontier must remain, at least until the end of 1992 (when all intra-EC borders are due to vanish). What needs to be "administered" is the two regions' different standards in environment, agriculture, competition policy and so on.

Supervision of the post-war protocol, regulating inner-German trade and protecting other EC countries from free flows of East German goods, depended on barter, Ostmark inconvertibility, and the small number of East German foreign traders; German monetary union will change all this.

Brussels accepts that there is a political imperative for pan-Germany to take over the legal obligations of East Germany to the Soviet Union (with which it does 40 per cent of its trade), if not to other Comecon partners, at least for a period. But Brussels will want to know the terms of this so-far-secret trade — quantities, prices, qualities — to ensure that the 1989 EC-Soviet trade accord is not undermined and that Soviet goods are not getting back-door favouritism on the EC market.

Will negotiations on all these points hold up German unity? Probably not, because in the end none of Bonn's EC partners or the EC Comissioners will dare quibble on a matter of such emotive importance to the Community's biggest state. Will EC business be held up?

Settling the issue of German unity has become an essential precondition of further progress on the 1992 programme.

In fact, settling the issue of German unity has actually become an essential precondition of any further progress on key aspects of "1992", such as the flattening of internal frontiers. Since the Berlin Wall was breached last November, all realistic negotiation on creating a free travel zone within the Community has had to stop, until the Community's eastern frontier is finally defined.

Perhaps, after all, the "wider or deeper" debate about EC integration is a false dilemma. Mr Delors certainly hopes so, and is counting on the German Chancellor to do what he has just said and put his weight behind the federalist wheel.

OBSERVER

Church and media

■ Journalists and clergymen have become very popular in eastern Europe. Gallup Polls, admitted to Czechoslovakia for the first time in January, has found that 82 per cent of the population express confidence in the press. The Church, with 56 per cent, is in second place, but still way ahead of other institutions.

In Hungary last July the corresponding figures were 72 and 67, but by November the Church had overtaken the media. In Lithuania, where the first poll was taken last month, the Church was in first place, with 68 per cent, followed by Lithuanian deputies to the USSR Supreme Soviet with 61, then Lithuanian press, radio and television with 52, tailed by the Sajudis independence movement at 51.

Among personalities, Lithuanians gave first place to Algirdas Brazauskas, leader of the breakaway Communist Party, with 89 per cent. The Pope was second (78), followed by George Bush 79, and Vytautas Landsbergis, the Sajudis leader who has since been elected Speaker of parliament. He was neck and neck with Margaret Thatcher at 67.

The findings were given yesterday by Gordon Heald, Managing Director of Gallup, at a press conference in Archbishop's House, Westminster, (residence of Cardinal Hume) to announce a conference on religious belief in eastern Europe, to be held in August at Ampleforth Abbey.

Heroes and heroines of the recent struggles are expected to attend. Father Leo Chamberlain, senior history master at Ampleforth, whose idea it was, hopes that "people in the world of business" will also take part.

Learning fast

■ When Deutsche Bank bought Morgan Grenfell in January, it invited the chairman, John Craven, to join its board or Vorstand.

Craven was the first foreigner to achieve such a position, and as such he is being vouchsafed some rare insights into the workings of corporate Germany — though it may be turning out to be more arduous than he bargained for.

Far from meeting once a month like British boards, the Vorstand meets weekly, fulfilling a role more akin to the executive committee. So Craven has to jump on a plane every week to Frankfurt, or Düsseldorf, or wherever the Vorstand chooses to convene.

Furthermore, under German company law, all board proceedings must be held in German, which means that Craven is having to pick up the language rather fast.

He is discreet about the Vorstand's proceedings, though he says he is struck by the strength of the Deutsche Bank "family" which, of course, includes not just the bank but the dozens of large corporations in which Deutsche has a direct shareholding.

The direct introductions he has received "have bought us five to 10 years' worth of relationships", he says.

Far and few

■ What is the largest electoral constituency in the world? It must be in Australia.

Although the country is the size of the US, it has a population only as large as New York State. There are 148 constituencies with about 75,000 electors each. The variations are enormous.

In the Antarctic, which is double the size of Australia, there are about 80 voters at three separate polling stations, receiving their voting papers by fax and sending them back by code to their headquarters in Hobart, Tasmania.

The Kalgoorlie constituency stretches from the north to the south of Western Australia, taking in an area larger than many countries. Voting papers are distributed and collected by air. The same goes for Queensland, where the largest constituency covers hundreds of thousands of square miles and includes the tiny islands in the Torres Strait. In present circumstances, it would never do to miss one out.

"It won't be easy finding a successor who can work with Mrs Thatcher during her fourth term."

Clifford's chance

■ Timothy Clifford is going for the near impossible hat trick. The ebullient director of the National Galleries of Scotland has a habit of mounting appeals to try to keep threatened artistic masterpieces in the UK. He secured the Duccio altar-piece when he was in charge at Manchester and has already secured a Bernini bust for Edinburgh.

Now he proposes to put up £1m, most of his annual purchasing grant, towards the £7.6m needed for Canova's "Three Graces". They will go to the Getty Museum in California if a matching sum can not be raised in Britain by April 4.

If Clifford can rally the heritage lobby, it will be one in the eye for his old employer, the V&A. To date it has supervised the Canova appeal, but raised less than £50,000.

Treaty of Rome

■ My view of the Church of England can be briefly expressed: I think that it should return to the Church of Rome.

The separation in the first place was entirely political. It would be wrong to blame it all on Henry VIII and his wish for a male heir. The parting of the ways would probably have happened in any case, and had a great deal to do with the development of the nation-state, which was arguably desirable at the time.

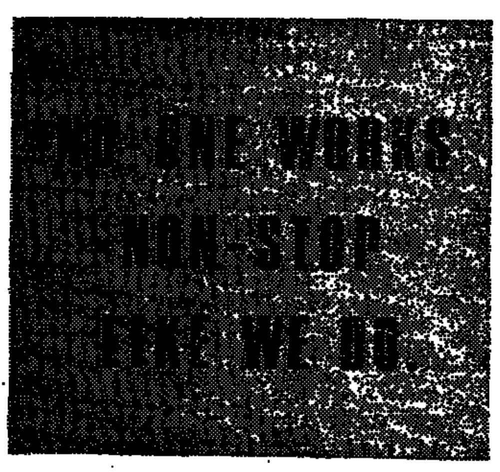
But that is all over now. Europe is uniting again. The Church of England and the Church of Rome have more in common than they have dividing them. They are both international and strong in the third world: Rome in Latin America and Canterbury in Africa and the Caribbean.

Reunion would stop the absurd business of the British Prime Minister having a say in the appointment of clerics and I dare say that Robert Runcie, the retiring Archbishop of Canterbury, would agree with every word I have just written.

It may take a little longer to persuade the rest, but it is time to start trying.

Last pub

■ A man with a talking dog goes into a pub and orders a pint. The landlord doesn't believe him, so there is a bet of £50. The dog stays silent and the man is forced to pay up. After they leave, he scolds the dog. "Wuff," says Rover. "Imagine the odds tomorrow!"



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LETTERS

Lithuania - not a question of carrot and stick

From P.A.Amery.

Sir, Your editorial ("Breaking up is hard to do", March 23) suggests that Mr Gorbachev's approach to the Lithuanian question is an unavoidable mix of stick and carrot (unavoidable, as he is supposed to be trying to placate 'conservatives' in the party, armed forces and KGB at the same time as trying to meet Lithuanian demands).

You also argue that the Lithuanians might do best to take the carrot (Moscow's recently proposed "secession" mechanism).

You are wrong on both counts.

The "conservatives" argument should have been laid to rest long ago; that it has not been shows how weak the Kremlin's spokesmen have played it or, perhaps more importantly, how willing a large proportion of Western opinion has been to believe in it.

There has been simply no evidence in any of Mr Gorbachev's statements that he seriously intends to grant freedom to the non-Russian republics of the USSR, and in this he is pursuing a policy perfectly in line with that of a party which has held together diverse nationalities by force since its seizure of power in 1917.

That this is so is proved by the nature of the "carrot" which you advise the Lithuanians to accept. The proposed bill on secession, recently put before the Soviet "parliament" in Moscow is, as is commonly the case with Soviet-speak, precisely the opposite of its name.

There is no realistic way that any republic agreeing to the present draft law would ever be able to secede from Moscow, as the innumerable conditions (referendum to be ordered by the republic's parliament or one-tenth of the republic's population, a two-thirds majority in the referendums, then approval by the Russian-dominated Moscow Congress of People's Deputies, and settlement of financial claims to Moscow's satisfaction) would make it effectively impossible to do so.

A peaceful solution to the Soviet nationalities' problem, which has a long way to run yet, will only occur if the West stands up unequivocally for the principles of democracy and self-determination for all the Soviet peoples, to which it has so far paid only lip service. The West's present prevarication, which is supposedly in the interests of "helping" the unelected head of a discredited party, will in the long term only make things worse, as is always the case with appeasement.

P.A. Amery,
Flat B,
53 St. Paul's Road,
London N1 2LT

Local income tax could provide best alternative

From John Thomson.

Sir, Professor Jones (Finding a better way than the poll tax, Letters, March 23) is right to point out that site-value rating could be an alternative to the poll tax but he also highlights the one snag with site-value rating; the fact that only landowners are taxed. Under site-value rating, as under the rates, some citizens who benefit from local services would still not have to pay for their provision.

Surely a local income tax is the best alternative to poll tax. It meets all the criteria of being a tax graded strictly according to ability to pay, a tax for local services levied on all who benefit from them, and a tax with low costs of collection.

Site-value rating would make a much better replacement for the Uniform Business Rate. If site-value rating was imposed, it could restore the connection between local businesses and the local community which has been severed by UBR.

Moreover, if a suitable minimum land value cut-off point was established, site-value rating could provide much-needed relief for small businesses.

The other benefits in terms of land use, referred to by Professor Jones in his letter would also apply.

John Thomson,
South Farm House,
West Overton,
Marlborough,
Wiltshire

Capital markets' role in Brazil

From Drago Pamucina.

Sir, Your coverage of the post-inauguration economic measures introduced by President Collor of Brazil has been superb.

Apart from the all-important question whether the actual implementation, or rather the administration thereof, will match the intrinsic high quality of the reform components themselves, I should like to suggest that there is one item that perhaps did not receive enough attention – the crucial role of the capital markets in the privatisation programme.

What I would call compulsory underwriting mechanism, was ingeniously inserted among the 26 measures in the form of the requirement that banks subscribe to "privatisation certificates." Standing alone, it just introduces an idea that must be rapidly expanded upon to include not only the "dogs" but the totality of state enterprises, notably the energy, power and communication units.

Furthermore, the programme should be extended to international private banks holding deeply discounted claims on Brazil who should be encouraged, ideally at face value, to convert into the same *kind of "privatisation certificates"*, and organise underwriting syndicates with the several excellent Brazilian capital markets, together with the accompanying regulatory agencies and stock exchanges, are as good as any in the world.

Drago Pamucina,
Matarazzo,
Suite 9,
22 Grosvenor Square,
London W1

Awesome nature of proposed US tax legislation

From Mr Rodney Burton.

Sir, Peter Riddell's article ("US tax plan riles foreign investors", March 22) does not really point out the draconian nature of the legislation being introduced.

He suggests that the proposal will give the US Internal *Revenue Service power to* secure additional information from foreign companies, and would impose a new 10 per cent withholding tax on the sale of US shares by direct (10 per cent or more) investors. While these two points are absolutely correct, the proposed legislation is a bit more awesome.

As to increasing the US Internal Revenue Service's powers to secure additional information, the proposed legislation would retroactively apply the dramatically increased powers granted to the IRS last year to all open years of current audits and to cases involving foreign branches. In effect, the IRS would be able to take powers which it only obtained in 1989 and use them in resolving tax disputes with foreign multinationals going back many years. From a country that officially claims that it wants a "level playing field," this is somewhat cynical.

Regarding the tax on the sale of shares by direct investors, Peter is right, the enforce*ment mechanism of the tax* would be a 10 per cent withholding gains tax (34 per cent on corporate investors and 28 per cent on individual investors) on any gain realised by a non-US person owning 10 per cent or more the equity of a US corporation. The 10 per cent withholding tax is merely a prepayment of the ultimate liability. Although bilateral tax treaties prohibiting such a tax would remain in force, it should be stressed the US/UK treaty does not prohibit a capital gains tax. This latter problem may be resolved in the legislative process, but as it stands today it is certainly a significant issue. Additionally, even where a tax treaty would protect the foreign investor, such relief will not be available unless the company is either publicly traded in the treaty country or the owners are individual residents of the treaty country. This restriction on otherwise available treaty relief will significantly impact many UK multinationals who hold their US and other non-UK investments through *Dutch holding companies.*

Finally, there is an aspect of the proposed legislation that Peter Riddell did not cover, and that is the creation of a rebuttable presumption that on intercompany sales between a US corporation and a non-US related party, not less than 50 per cent of the combined taxable income of the two companies is allocable to the US corporation.

It is too early to determined how this provision might work out in practice. If passed however, it would substantially increase the burden of non-US multinationals in dealing with the US Internal Revenue Service on intercompany pricing issues.

Rodney W. Burton,
Arthur Andersen & Co,
1 Surrey Street, WC2

ICI plans should be rejected

From Mr J. Cornyn.

Sir, In response to ICI's share purchase plan, shareholders should reject the board's present proposals and demand that these surplus funds be distributed to them. Each individual should have the choice of investing these surplus funds.

The board should be reminded that buying shares on a mathematical formula carries many practical risks, as shareholders in GEC would confirm. If the board argues that this proposal is aimed at increasing the investment rating of ICI, a simpler way of achieving this would be to increase the dividend yield by distributing the surplus.

J. Cornyn,
Aitken Campbell,
Glasgow

Much to welcome in pensions amendment

From R.J.Walker

Sir, The Secretary of State's proposed amendment to the Social Security Bill ("Pensions increase", March 17) contains much that is welcome. I have always been opposed to the Surplus Regulations introduced by the Finance Act 1986 because of their detrimental effect on the security of pension scheme benefits. I believe that the interests of the Exchequer and scheme members can be reasonably protected with a one-way valve on pension schemes. (Once contributions have been paid into a scheme they must be used to provide pension benefits, if possible.) It would appear that Mr. Newton is taking a similar view.

However, I am not convinced that the requirement to increase pensions in payment by 5 per cent p.a. (subject to an RPI limit) is necessarily in the best interests of scheme members. For a given outgo, the provision of 50 per cent increases will reduce the initial level of the pension by around one third. Presumably the intention is to protect people from taking too much of their cake when they initially retire and not leaving enough for their later years. I assume that this protection will apply to members of money-purchase schemes and Personal Pension schemes as well as members of defined benefit schemes. This proposal is in sharp contrast to the Social Security Act 1986, which gave people the option to have no cake at all. Striking a reasonable balance between protection and choice is not easy but we appear to be going from one extreme to the other.

R.J. Walker,
E.B.S. Management Plc
39 Finsbury Square, London.

Decline in manufacturing a self-inflicted wound

From Mr John Wells

Sir, Phillip Oppenheim's attempt to absolve Sir Geoffrey Howe, Chancellor of the Exchequer 1979-83, of all responsibility for the massive declines in UK manufacturing output, world market share, capital stock, investment and employment recorded during the 1979-81 slump and to lay the blame on a variety of other factors beyond his control – the industrial policies of previous governments, world recession and the foreign exchange markets – is not persuasive.

It is probably best to see the 1979-81 slump as a result of the interaction between monetary and fiscal deflation and the build-up of North Sea production (what Kaldor referred to as "Mrs Thatcher and North Sea oil coming on stream at the same time"). However, although the 1979-81 slump was largely a home-grown affair – the product of self-inflicted wounds, Mr Oppenheim is quite right to point to the accentuating role played by the deceleration in world trade and output growth – triggered incidentally, by the adoption, in other OECD countries, of the same kind of "monetarist" policies which proved so disastrous in the UK. However, this international effect could, at most, have been rather minor.

However, Mr Oppenheim is wrong to suggest that "the rise in the headline unemployment total was exaggerated by the steep rise in the overall size of the workforce". In fact, according to Department of Employment statistics, of the 1.806m increase in unemployment in 1979-83, 1.752m can be attributed to the reduction in employment and only 0.054m to the increase in the workforce. The rough constancy in workforce size is precisely what would be predicted by the "discouraged worker" hypothesis for a period of recession.

In arguing that the North Sea energy windfall should have been used to "modernise and reinvigorate" the British economy, I do not believe I was indulging in some sort of interventionist fantasy – merely expressing what I imagine to be the aspirations of most British people. Quite what an alternative set of policies to those actually pursued would have looked like is difficult to say, but the broad outlines would have been: a lower exchange rate and a more buoyant level of domestic expenditure.

Finally, Mr Oppenheim's attempt to present the manufacturing output record of the present government in a favourable light compared with that of the last Labour government cannot go unchallenged – whilst fully accepting that UK manufacturing's deep-seated competitiveness problems have resulted in poor output growth rates stretching back many years.

Labour's 1974-79 period of office began with a sharp decline in manufacturing output – during the post OPEC recession – though UK decline was somewhat less severe than the 9 per cent fall in total OECD manufacturing output. The subsequent UK recovery was reasonably successful, to the point where, when Labour left office, manufacturing output was higher (and not lower, as Mr Oppenheim twice states) than when it came in (index numbers: 1985=100; 1974 1Q: 105.5; 1979 2Q: 108.5). The UK's share of world manufactured exports, measured at current prices, actually rose between 1974 and 1979, whilst the UK's manufacturing trade balance also improved.

Under the present government, manufacturing output fell by 14.2 per cent, 1979-81, (using annual data) as against 3.3 per cent for the OECD as a whole. UK manufacturing output is now 13 per cent higher than in 1979 (compared with a total GDP increase of 24.3 per cent). But, that performance looks even weaker in an international context; comparing data from 20 OECD countries on the change in manufacturing output, 1979-89 – the growth of output, whether destined for the export or home market, being a better measure, in internationally-integrated markets, of comparative manufacturing performance than changes in the share of world exports – the UK comes in seventeenth out of 20 OECD countries! Moreover, the 13 per cent increase in UK manufacturing output (1979-89) compares with a probable increase in domestic spending on manufactures of about 33 per cent – hence, the unprecedented manufacturing and overall trade and current account deficits.

Finally, taking into account the recent decline in manufacturing Gross Domestic Fixed Capital Formation, investment in the sector is probably still not that much higher than in 1979 – 11 years on.

John Wells,
Faculty of Economics and Politics,
University of Cambridge

FOREIGN AFFAIRS

Time for a new look at Unesco

Robert Mauthner on the case for Britain and the US rejoining the controversial UN agency

At a time when the Russian empire is disintegrating and Germany is on the point of unification, it might appear as a frivolous irrelevance to reopen such a question as Britain's and the US's membership of Unesco.

Why not let sleeping dogs lie? Many of those who favoured the two countries' departure from the organisation – in December 1985 in the case of the UK – will argue that their national interests have not been perceptibly harmed by non-membership. On the contrary, they would claim that the US and Britain have not only saved a substantial sum of money which has more productively been devoted to national efforts in the educational, scientific and cultural fields, but that they have also avoided much political wrangling within Unesco.

The temptation for the British Government, which is due to announce the results of its review of UK membership next week, to pursue its "good riddance" policy, is therefore considerable. But its verdict will have to take into account both fundamental changes in the international situation and wide-ranging, although still largely unimplemented, reforms within Unesco. These have substantially altered the context in which the original British and American decisions to leave Unesco were taken, not to mention the greatly increased interest in the study of environmental problems which is covered by Unesco's scientific programmes.

One of the main American and British complaints was that Unesco was over-politicised and had extended its activities into fields far beyond its mandate, such as disarmament and the Middle East conflict. It was rightly considered as unacceptable that an organisation, the official aim of which was to promote international co-operation in education, science, culture and communications, should be suffocated by East-West and north-south quarrels.

In the intervening four years, however, the confrontation between East and West has been defused, with the result that the group of 77 developing countries within Unesco have no longer been able to count on the unconditional support for their causes from the East that was always forthcoming in the past. One of the happiest results of this change is that Mr Federico Mayor, the eminent Spanish biochemistry professor appointed as Unesco's director-general in November 1987, has been able to fashion a communications programme avoiding most of the pitfalls of the notorious and bitterly contested "New World Information and Communication Order."

Western countries have always feared that any international attempt to regulate and codify the dissemination of news would facilitate the imposition of censorship and could even lead to the licensing of journalists. The new text in Unesco's 1990-1995 Medium-Term Plan, adopted by the member states last autumn, although far from perfect, makes sure that no one will be able to justify such measures. References to a "wider and better-balanced dissemination of information" are invariably qualified by the rider "without any obstacle to the freedom of expression." Even the ultra-cautious Mr Tim Sainsbury, Parliamentary Under-Secretary for Foreign Affairs, told the House of Commons Foreign Affairs Committee during its recent examination of British policy towards Unesco, that if the Government's decision to rejoin depended on an assessment of the communications issue, "we would take a fairly positive view."

The overall balance sheet since Mr Mayor's appointment shows Unesco is on the right path

Indeed, the overall balance-sheet since Mr Mayor's appointment shows that Unesco is now on the right path, even if the reforms undertaken still fall short of some of Washington's and London's demands. None of the western countries, at least, doubt that the new director-general is a vast improvement on his Senegalese predecessor, Mr Amadou-Mahtar M'Bow, whose 13-year term was marred by nepotism, inefficient administration and political bias. Mr Mayor recently impressed the Commons Foreign Affairs Committee with his determination "drastically to change the structure and working of the organisation," and has at least made a start on a concentration of Unesco's major programmes and on decentralising and streamlining its cumbersome bureaucracy. On the credit side, Unesco's budget has not been allowed to grow in real terms since Britain's departure; more than 800 posts have been eliminated since 1985 while many others have been or will be frozen; and present plans foresee the decentralisation away from headquarters of as much as 50 per cent of the organisation's activities by the end of 1991.

On the debit side, after two years of the new regime nearly 70 per cent of total staff were still employed at the organisation's Paris headquarters last year, although substantial reductions have been promised; too many minor programmes of dubious value and relevance to Unesco's main activities continue to absorb scarce funds; and the accent is still too much on intellectual studies rather than on action programmes designed to deal with problems on the ground.

Nor has Mr Mayor facilitated the return of Britain and the US to the fold by his recent announcement of a whole batch of new high-level secretariat appointments and promotions, without prior consultation of Unesco's executive board, as required by the organisation's constitution. Not only the US and Britain, but important member countries such as Japan, Canada, Australia and Switzerland, have voiced their dismay at the financial implications of these decisions, deemed particularly unfortunate at a time of budgetary retrenchment and planned staff cut-backs.

Western countries have also been upset by the appointment of a former top official of the Soviet State Commission for Radio and Television as Unesco's deputy director-general for communication and informatics. Given the rumpus over the New World Information and Communications Order and the need to assure the US and Britain that Unesco has turned over a new leaf, the nomination of a Russian to such a sensitive post – albeit in the era of perestroika – shows a disconcerting lack of political judgment.

Mr Mayor, it should be stressed, is virtually in a "no win" situation. He runs an international organisation where appointments must show a proper balance between member countries, which means someone will always be dissatisfied. He has been criticised for not moving fast enough in reforming Unesco. But when he finally takes decisions aimed at implementing the structural reforms which everyone agrees are necessary, he is accused of autocratic behaviour and financial incompetence.

The pretexts for not rejoining the organisation immediately are therefore not difficult to find. The Commons Foreign Affairs Committee has already proposed a 12-month delay to see whether Mr Mayor can deliver his much-heralded reforms. It seems likely that the Government will adopt a similar position. Yet it is not at all clear that this is the right tactic to pursue.

By their very nature, international institutions will never be organised like well-managed private companies. The optimum moment to rejoin is not necessarily when reforms are completed, but when they are being worked out and when their author and executor most needs American and British support and advice to overcome internal opposition. Though Washington and London have done a good job shouting from the touch-lines, there is a real danger that the momentum of reform and the weight of their influence will be lost if they do not quickly rejoin the scrum.

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Consolidated Highlights at March 31, 1989:	(Dollars in Millions, 1 U.S. $ = 1,388,130 Lire)
OUTSTANDING LOANS	23,934
ASSETS UNDER MANAGEMENT	14,821
SHAREHOLDERS' EQUITY	3,312
ALLOWANCES	612
NET INCOME	362

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FINANCIAL TIMES
Tuesday March 27 1990

Not just Number 1 in Plumbing Supply
WOLSELEY

Brussels says EC status at risk

Greece told to act on economy

By Kerin Hope in Athens

THE EUROPEAN Commission has warned that unless Greece adopts drastic economic measures without delay its international credit standing and future status in the Community will be endangered.

The warning came in a sharply worded letter earlier this month to the Greek Prime Minister, Mr Xenophon Zolotas, from the Commission President, Mr Jacques Delors. The text was made available to reporters yesterday by officials of the conservative New Democracy party.

. If Greece fails to act quickly, the letter said, "the size of and increase in both the public debt and the foreign debt risk damaging Greece's creditworthiness."

Greece's public sector borrowing requirement for 1989 reached almost 20 per cent of GDP, while inflation reached 15 per cent, three times the EC average. The current account deficit last year totalled $2.57bn, about 5 per cent of GDP.

The letter also noted that economic development in Greece was lagging behind the rest of the Community to the point where its "course towards the single market, monetary union and European unification is in danger of being permanently undermined."

It recalled that Greece received a $1.7bn EC emergency loan in 1985 on condition that both and inflation would be sharply reduced over a three-year period, adding: "the Commission finds itself in the difficult position of having linked its own credibility with a loan whose terms were not kept by the borrower."

"We think it indispensable that drastic measures be quickly taken to make clear the country's willingness to reduce these imbalances for good," the letter concluded.

Successive coalition governments over the past year have postponed taking realistic measures to curb rising deficits, while a growing lack of confidence in the economy has triggered a sharp rise in imports and a decline in foreign currency inflows.

E German Social Democrat leader resigns

By David Goodhart in Bonn

MR Ibrahim Böhme, chairman of the East German Social Democrats, stepped down yesterday following allegations that he had collaborated with the secret police.

He is the latest victim of accusations about widespread links with the now disbanded Stasi, which have cast a shadow over the country's young democracy.

Mr Böhme, who is alleged to have passed on information about dissident groups through intermediaries, has denied the charges. But he said he would resign his party chairmanship and his seat in the newly elected parliament until his name was cleared.

The chairmanship will be temporarily taken over by the deputy party leader, Mr Markus Meckel. The Social Democrats lost out to the conservative Christian Democrats (CDU) in East Germany's elections on March 18.

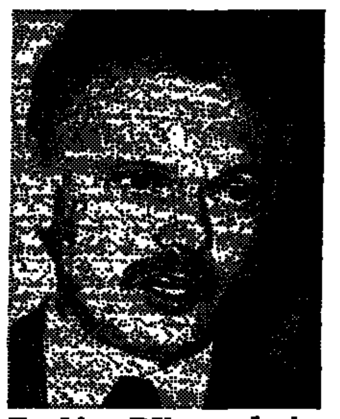
There have also been suggestions that Mr Lothar de Maizière, the CDU leader and Prime Minister designate, was involved with the Stasi. According to some reports a large proportion of the 400 new members of parliament are, to differing degrees, tarnished with Stasi collaboration, but others dismiss these reports as being themselves Stasi-inspired.

The ruling West German Christian Democrats said that the Stasi accusations must not delay East German attempts to form a government.

"All chances should be used to form a grand coalition government in East Germany," said Mr Volker Rühe, CDU Secretary-General, after a meeting of the party leadership.

"It would be a success for the dirty methods of state security if people allow delays in forming the first democratic government in East Germany," he said.

Meanwhile, investigations have been dropped into whether Mr Erich Honecker and other former East German leaders should face trial for high treason, the East German state prosecutor said. Investigations into other possible crimes or misuses of office continue.



Ibrahim Böhme: denies allegations

In West Germany, Mr Helmut Kohl's Christian Democrats, allied with the Christian Social Union, appear to have been boosted by the Christian Democrat success in the East German election. The latest opinion poll puts the CDU/CSU on 45.7 per cent (up from 41.7 per cent the previous week), with the Social Democrats down to 36.7 per cent from 39 per cent.

The CDU/CSU has done less well in recent communal elections in West Germany, but it will be relieved that the number of East German immigrants has continued to fall off sharply since the election there. Only 477 immigrants had registered yesterday.

Some Bonn Social Democrats initially welcomed the failure of their East German sister party as an opportunity to avoid association with a potentially unpopular transitional government. They are now taking a more positive line about a junior role in an East German "grand coalition."

However, a small extra headache for the SPD is that the East German PDS (former communists) looks set to organise in West Germany and could become a small, but effective, irritant on the far left, attracting left-wing social democrat voters and some Greens.

US current account deficit may widen

By Anthony Harris in Washington

THE US current account deficit may widen in money value over the next two years and will improve only slowly in real terms, according to the US Treasury.

In its annual trade projection, prepared for Congress, the Treasury says that it expects the US economy to grow by 2.4 per cent in 1990, accelerating to 3.2 per cent in 1991.

Domestic demand will grow rather more slowly, as in the past three years, it says, and this will leave room for a reduction in the deficit in real terms as real net imports fall.

"But achieving additional reductions in the US current account deficit will be a function of a wide array of factors, including (but not limited to): foreign growth and its composition . . . future exchange rate movements and . . . price trends. In the light of projections for 1990 and 1991, the current account could improve further in 1990-91, although the improvement is not likely to be as significant as in the 1988-89 period. . . Given this uncertainty, the prospect of nominal increases cannot be ruled out."

The report projects "somewhat slower" growth among America's industrialised trade partners, especially in Canada and the UK, where "1990 may be a year in which the effects of policy corrections may be particularly pronounced."

In a separate statement, Mr John Easton, an assistant energy secretary, said that US oil imports were expected to grow steadily through the 1990s, reaching 55 per cent of total consumption by the end of the decade.

Japan may scrap satellite to avoid US clash

By Robert Thomson in Tokyo

THE Japanese Government yesterday indicated it was close to scrapping a plan to develop a communications satellite, the CS-4, targeted by the US in a row over access to Japan's satellite market.

Tokyo is under extreme pressure from Washington to produce concessions on the remaining claims against satellites and forest products under "Super 301," the punitive section of the US trade law, after an action against supercomputers was settled last week.

A Japan Science and Technology Agency official said a formal announcement on the future of the CS-4 would be made early next month, but he indicated that the future of the satellite was in serious doubt.

The US has claimed that the involvement of Nippon Telegraph and Telephone in the CS-4 project showed the satellite would have commercial uses that could be provided by satellites imported from the US.

Japan had argued that the partly government-funded project was designed purely for research purposes.

Mr Toshiki Kaifu, Japan's Prime Minister, recently ordered the ministries involved to propose a new solution after US officials had rejected a limited foreign role in the project.

The US Trade Representative's office is due to present a report to Congress on the subject next month. An announcement on the CS-4's fate is likely before then.

Signs that the project was in doubt surfaced last week when government officials said that NTT might be excluded because of the controversial commercial overtones.

However, the company was due to provide 75 per cent of the Y90bn ($584m) budget for the satellite's development, with the Government covering the other 25 per cent.

The Science and Technology Agency official said they had been under enormous political pressure on the project which also involves the Ministry of Posts and Telecommunications and the National Space Development Agency.

If the CS-4 is scrapped, it is likely the government funds will be used to develop a less sophisticated data relay satellite, and NTT will be expected to buy a US satellite.

Under the original CS-4 plan, completed satellites would have been launched in fiscal 1994 and 1995.

US chipmakers seek '301' threat to Japan, Page 4

UK orders underwriting halt

Continued from Page 1

would have been sufficient to eradicate shareholders' funds. Insurance syndicates at Lloyd's of London, the insurance market, which reinsured asbestos and pollution risks similar to those undertaken by LUI have also suffered heavy losses.

LUI's reputation has also been hit by continuing controversy over the so-called Russell Re affair, an LUI underwriting company based in Michigan which was set up by senior directors without the knowledge of the LUI board.

After the report from actuaries Tillinghast, Mr Wilson flew to New York to see if Mr John Head, owner of Anglo-American was prepared to inject more capital.

Mr Head said he was unable to make the investment needed by LUI.

Last night Mr Head was in London discussing the future of LUI.

The six subsidiary companies of Walbrook which hhave suspended payment of claims are: Desert Insurance, El Paso Insurance, London United Reinsurance Company (Bermuda), Kingscroft Insurance, Lime Street Insurance and Mutual Reinsurance.

WORLDWIDE WEATHER

		Y'day midday °C	°F
Ajaccio	C	12	54
Algiers	R	13	55
Amsterdam	C	8	46
Athens	F	18	64
Bahrain	F	23	73
Barcelona	S	14	57
Belfast	C	9	48
Belgrade	C	9	48
[illegible]			

		Y'day midday °C	°F
Dallas†	Dr	3	37
Dublin	C	9	48
Dubrovnik	C	14	57
Edinburgh	C	9	48
Faro	S	20	68
Florence	S	11	52
Frankfurt	C	9	48
Geneva	C	6	43
[illegible]			

		Y'day midday °C	°F
Madeira	C	18	64
Madrid	S	11	52
Majorca	R	8	46
Malaga	S	18	64
Malta	F	18	65
Manchester	F	8	46
Melbourne		–	–
Mexico City		–	–
[illegible]			

		Y'day midday °C	°F
Prague	C	7	45
Reykjavik	Sn	-3	27
Rhodes	S	18	65
Rio de Janeiro			
Rome	F	14	57
Salzburg	S	4	39
S'Francisco†	C	10	50
Santiago			
[illegible]			

C-Cloudy. Dr-Drizzle. F-Fair. Fg-Fog. H-Hail. R-Rain. S-Sunny. Sl-Sleet. Sn-Snow. T-Thunder. † Noon GMT temperatures

US warns against Soviet action in Lithuania

Continued from Page 1

movement were yesterday expressing confidence that the Soviet leadership was ready to talk to them.

"There are very clear offers finally to have contact," said Mr Romualdas Ozolas, a Deputy Prime Minister. "I can say they are authentic and on a high level. That is real news."

Earlier, he said that a meeting with military officers in Vilnius had set up a permanent working group to provide regular contacts between the Government and the military, to prevent any deliberate "provocation."

The Deputy Premier added, however, that there was still no information on why Gen Valentin Varennikov, commander of all Soviet land forces, had taken command of troops in the republic.

He said the army appeared to be worried at the possibility of deliberate provocation of violence. "If that is true, then it is safe to say that we have passed the most dangerous period."

However, he also accused the army of working openly with the remnants of the Communist Party, still loyal to Moscow (the majority has formed an independent Communist Party) and urged Lithuanians to remain on their guard.

So far, all the evidence suggests that the only provocative actions have come from the military itself, in the form of heightened and ostentatious military manoeuvres, and from the Communist Party loyalists who have seized control of several party buildings.

Armed soldiers were still patrolling the buildings yesterday, although not preventing entry to students in the Institute of Marxism-Leninism and the Communist Party high-schools.

The leaflets scattered over Vilnius attacked the new Government for suggesting that an independent Lithuania would swiftly win western recognition, bank loans, and new export markets.

"Will we be in a free country, where the right to property is in the hands of strangers?" it demanded in an open attack on Sajudis' hopes for foreign investment.

Reuter reports from Moscow: Suspected Armenian extremists using automatic weapons attacked a bus carrying Azerbaijanis in the disputed region of Nagorno-Karabakh, killing one of them and injuring four, the official Soviet news agency Tass said on Monday. The attack brings to at least 13 the number killed in five days of violence in the Soviet Transcaucasus.

European credit card processing operation to be sold

By David Barchard in London

SIGNET, Europe's largest credit card processing operation, is being put up for sale by its owners, National Westminster Bank, Midland, Lloyds and Royal Bank of Scotland.

Among possible buyers being mentioned are two US credit card processing companies – First Data Resources, which is owned by American Express, and Electronic Data Services of Dallas – and GZS, the German credit card-bank consortium.

Total Systems of Columbus, Georgia, and Credit Lyonnais are also thought to be in the running.

The four British banks have circulated details of Signet's operations at Southend and Basildon, east of London, to possible purchasers including banks and foreign credit card processing companies interested in entering the UK market.

City of London analysts said yesterday that it was impossible to put a price on Signet which has never published profit figures or balance sheet information.

Several senior management figures at Signet, including Mr Peter Little, head of production, lost their jobs earlier this month in what appears to have been a shakeout in preparation for the sale. Signet yesterday confirmed that there had been redundancies but declined to give the numbers involved.

The sale is the latest in a series of moves by the banks to shed joint venture subsidiaries and raise additional capital to strengthen their balance sheets. Earlier this year a slightly different group of large banks sold Yorkshire Bank for just under £1bn ($1.6bn).

Signet was established in 1970 to issue Access credit cards, a British affiliate of the MasterCard brand. Its original role disintegrated in 1988 when its members decided to end cartel arrangements and compete directly against each other in the credit market.

Signet, which changed its name from the Joint Credit Card Company last summer, has a market share of 50 per cent in the UK credit card market.

Ownership is divided between NatWest, Midland and Lloyds, which each own 30 per cent, and Royal Bank of Scotland, with 10 per cent.

Originally it was assumed that NatWest would be the natural candidate to buy out the other partners. One theory being canvassed in the credit card industry is that the offering of Signet for sale could establish a market value for the company.

Whoever buys Signet will take over an ultra-modern business with no need for a capital injection. However, the purchaser will have to face several uncertainties in the UK credit card market, including a probable sharp drop in the number of cards in circulation if other card issuers follow Lloyds and introduce annual charges for cardholders.

Gold price fall boosts sterling

Continued from Page 1

as much as 70 tonnes – proved too much for the market to absorb and the price tumbled rapidly through support levels. Apart from yesterday's rumoured Middle Eastern selling, the strength of the dollar against the D-Mark and the yen, as well as high interest rates, have tempted investors away from the precious metals markets.

Spot gold stabilised around $368 an ounce in New York after hectic trading. The New York Commodity Exchange said it was raising the margin requirements for its gold futures contracts from the start of business today. This move, raising the deposit required for each contract, is designed to discourage speculation.

Demand for the pound was also strengthened by the belief that weekend comments by Mr John Major, UK Chancellor of the Exchequer, implied British entry into the Exchange Rate Mechanism of the European Monetary System would be earlier than previously thought. There was also a feeling that the pound had been oversold last week after the UK budget.

Traders' other target on the foreign exchanges was the yen, which closed weaker against the dollar and the pound in London at Y156.35 and Y252.25 respectively.

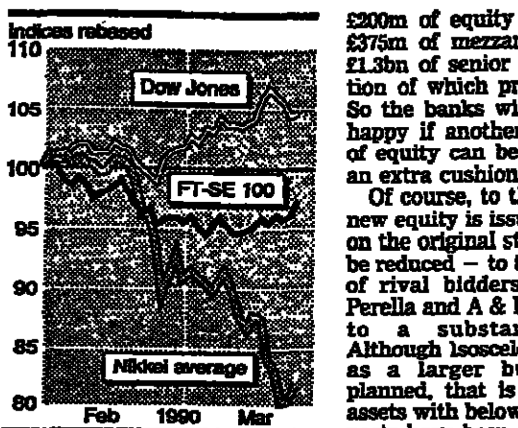
THE LEX COLUMN

Another own goal from the City

The ugly-looking mess at London United has wider implications than the company's niche in the insurance industry would suggest. It is too early for alarmist talk about another Vehicle & General collapse: not least because LUI's £700m-plus of liabilities come from the rarefied world of casualty insurance for US companies, an old London specialisation but politically far less sensitive than motor insurance for the man in the street. But with the first stage of a free European insurance market now less than three months away, this is a very awkward time for London's reputation as an insurance centre to be spattered with mud.

To limit the damage several steps need to be taken at once: by LUI, by the authorities and by the major Lloyd's insurance brokers. It is surprising, to say the least, that actuaries at Tillinghast were apparently satisfied with the reasonableness of LUI's reserving policies 12 months ago, only to find new nasties staring them in the face in the last few weeks. In the circumstances, Tillinghast's new report needs to published as soon as possible, with revised figures for LUI's position.

Second, the insurance broking community needs to move quickly to give some quantification of the extent to which it relied on LUI's insurance capacity. The Department of Trade and Industry is in the most awkward position. It hardly needs reminding that with Barlow Clowes a recent memory, the issue of what it did or did not know about LUI may take on great importance.



Markets

It was a curiously perverse day in world markets yesterday. The yen hit yet another low, but Japanese equities jumped by nearly 5 per cent. Gold fell, but the dollar rose. Among it all, the UK was sunnily consistent. Sterling was up, gilts gained a point and the FT-SE nudged briefly through 2,300 – despite London United, Labour threats about water stocks and 15 FT-SE constituents going ex-dividend.

It would be nice to attribute this to Mr Major's soothing noises about interest rates over the weekend. But the real key was the strength of sterling. In the first instance, this was apparently due to a classic and doubtless temporary bear squeeze. But it would be a little surprising if sterling kept on being kicked around just at present. If, as is unkindly alleged, the foreign exchange markets are incapable of concentrating on more than one thing at a time, they now have an even worse basket case to work on in the form of the yen.

At yesterday's rate of Y156.30, the yen is at its weakest against the dollar for over three years. The latest slump will partly be due to the collapse of last week's hopes of US/Japanese agreement on the currency. But the underlying problem of excess Japanese liquidity persists; and as long as investors keep coming out of the yen, the dollar must be the chief beneficiary on simple grounds of size.

As long as this goes on, it seems inconceivable that Tokyo equities can sustain a recovery. Yesterday's bounce was due to a clutch of technical factors, the biggest being that some 400 stocks were due to go ex-dividend today, thus causing a shortage of sellers. Once such year-end distortions are out of the way, Tokyo will be free once more to brood on the collapsing currency and the policy disarray it has produced among the Japanese authorities.

Isosceles

The prospect of an early equity issue from Isosceles is a sharp reminder that the seller's market for corporate assets no longer exists. The buy-in team had been expected to sell both the northern UK stores and Herman's in the US within the first year. But now that the deal with William Low has fallen through, the attempt to sell the northern stores has been abandoned. At Herman's, new management has been installed instead.

Without the sell-offs, Isosceles is barely covering its interest payments, even in the Christmas quarter. Some £200m of equity is supporting £375m of mezzanine debt and £1.3bn of senior debt, syndication of which proved difficult. So the banks will be only too happy if another £150m-£200m of equity can be found to add an extra cushion.

Of course, to the extent that new equity is issued the return on the original stub equity will be reduced – to the misfortune of rival bidders Wasserstein Perella and A & P, who held on to a substantial stake. Although Isosceles will end up as a larger business than planned, that is only because assets with below-average prospects have been retained.

The paradox is that by comparison with the likes of Lowndes Queensway, Gateway is a haven of safety for the banks – making stable and hefty operating profits. But the same qualities limit the scope for a vast improvement in margins, especially given the pressures on wage costs. So without disposals, the potential profits for equity investors are not as mouthwatering as they might have been. Thus the risk-reward ratio triumphantly reasserts itself.

Dutch Banks

There may be those who thought that European banking was about to be recast by huge cross-border mergers, but yesterday's news of marriage talks between Amro and ABN should have finished the idea. There is no mistaking the climate of 1992-induced insecurity pervading some bankers and insurers in Europe's smaller countries, particularly Scandinavia and the Netherlands. But it is also increasingly clear that the most practical solution for banks perceiving themselves to be too small is to merge with domestic rivals, rather than attempt complex international combinations which fall foul of legal and cultural differences.

This is not to say that the proposed Amro/ABN union is simply old-fashioned consolidation within an over-banked domestic market. True, the Dutch market is not one of Europe's most lucrative, with returns on shareholders' equity of only about 10 per cent. One way of addressing that is to merge for greater economies of scale. But ABN's $420m purchase of Exchange Bancorp of Illinois last year, and Amro's long but frustrated courtship of Générale de Banque of Belgium in 1988-9, suggest that ABN and Amro have every intention of channelling most of their energies abroad.

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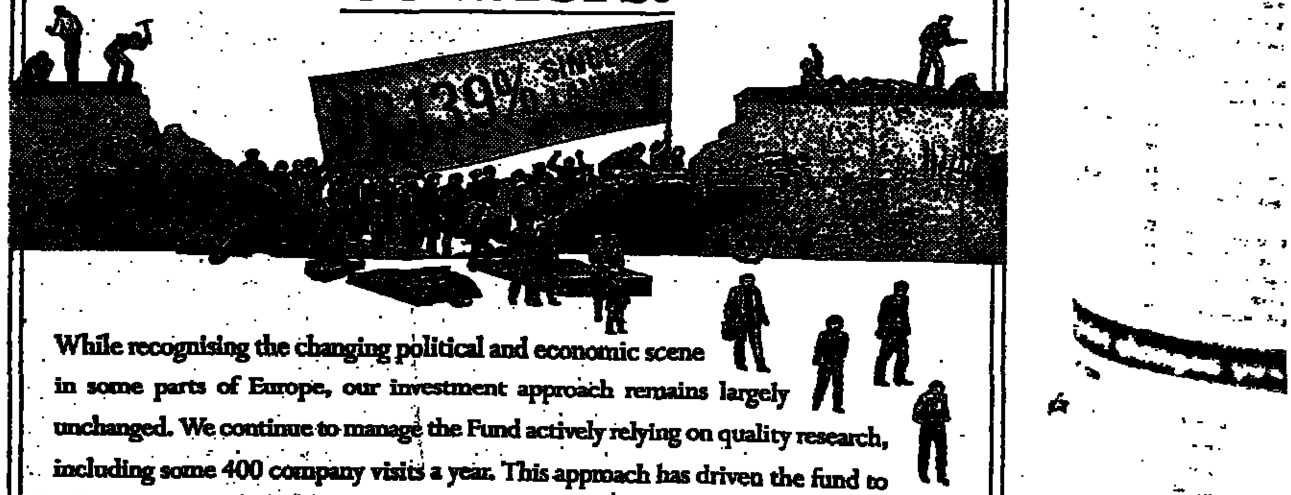

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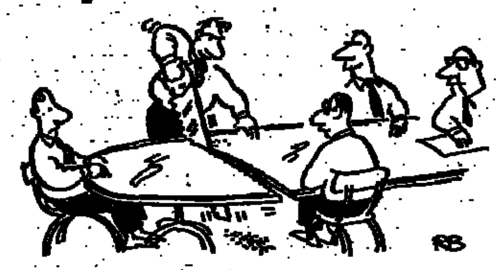
INSIDE

The cutting edge of corporate finance



The move towards spinning off subsidiaries as independent quoted entities has become an increasingly dominant theme of UK corporate life. While the flow of corporate acquisitions appears to be temporarily stemmed, all manner of demergers, partial demergers, and minority stake flotations are emerging instead. Nikki Tait looks at the reasons behind such activity. Page 30

Argentina nets a better fish deal

Argentina has landed favourable terms on one of its most controversial trade agreements – licensing Soviet fishing operations in Argentine waters. The four-year-old accord expired last week, much to the relief of Argentines dissatisfied with the paltry yield from levies on Soviet catches. It is estimated that the new agreement could raise between $2.5m and $3m in 1990. Gary Mead reports. Page 38

The buck stops where?

Another chunk of America's commercial heartland is turning Japanese. But US reaction to news that Ito-Yokado is to take 75 per cent of Southland, the parent company of 7-Eleven convenience stores, has been relatively relaxed – unlike the soul-searching which followed Sony's purchase of Columbia Pictures. The US public is becoming sophisticated in its assessment of Japanese takeovers. Most people believe that Japanese investment means high wages and good jobs. Page 25

A cracking pace

India's petrochemical industry is looking distinctly overcrowded. At least seven groups have secured government approval to build new or expanded naphtha-ethylene crackers – chemical plants which break complex molecules into smaller, more useful ones. However, constraints of demand and funding mean that no more than four plants will be viable in the next few years. Page 26

Happy is the man ...

Luis Carlos Croissier (left) may be one of the few genuinely contented people in Spanish public life. The recently-appointed chairman of the Spanish stock market commission has neither suffered nor caused undue trauma in his bid to reform market practice. "We have come from a practically unsupervised market to be a very disciplined one. People have come to realise that the rules of the game have changed." Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises							
Henkel	538	+	9	Cerus-Car	405.8	+	24.1
Hoesch	347.5	+	4.5	Chargeurs	1205	+	85.7
Rheinmetall	389	+	16	Ingenico	116.3	+	8.4
Schering	674	+	9.5	Roussel	1987	+	173.1
Falls				**Falls**			
Bayer	308.1	–	1.4	Codetel	163.5	–	6.7

NEW YORK ($)

Rises				**TOKYO (Yen)** **Rises**			
Curtiss-Wright	61½	+	3	Daimaru	1270	+	200
Pfizer	59⅝	+	¼	Higo Bank	1250	+	200
Texas Insts.	37½	+	1¼	Kantsu Gas	1180	+	180
Falls				Wakachiku	1610	+	300
Amer. Barrick	17¾	–	1¾	**Falls**			
Avon Products	34½	–	⅜	Teikoku Piston	1020	–	130
Newmont Gold	46⅝	–	2⅝	Toyo Telecomm.	1150	–	150

PARIS (FFr)

Rises			
BIS	825	+	37.2

New York prices as at 12.30pm.

LONDON (Pence)

Rises				**Falls**			
BAA	406	+	7	Bedford (Wm.)	36	–	14
BOC Group	555	+	3	Carlton Comms.	671	–	9
Blacks Leisure	72	+	13	Courtwell	3¼	–	¼
Kingfisher	288	+	8	Laing Props.	651	–	32
Lancaster	133	+	55	Next	92	–	2
P & O Dfd.	617	+	10	Parkland "A"	128	–	18
Pearson	866	+	11	Storehouse	118	–	2
Ramar Textile	17	+	3				
RHM	380	+	7				

Robert Louis Dreyfus: Chief executive of Saatchi

Krief launches rival bid for Saatchi subsidiary

By William Dawkins in Paris and Nikki Tait in London

BERNARD Krief Consultants, the Paris-based head hunting and public relations group, has launched what appears to be a rival £75m ($120m) bid for Hay Group, the biggest of the consulting units being sold by Saatchi & Saatchi, the troubled British-based advertising agency.

The offer, backed by Citibank, received a guarded response from the London group.

Saatchi announced last year that it planned to sell all of its 14 consultancy divisions to their own managers, keeping a stake in some of them.

Hay Group's 130 international partners, led by Mr Lucien Girard, president of its French office, are already planning their own buy-out.

The unit, which employs 2,600 consultants in 30 countries and has a fee income equivalent to FFr1.6bn (£173m), is many times the size of Bernard Krief Consultants.

With its turnover of FFr200m and staff of 150 to 160, operating in Paris, Brussels, Washington and Moscow, Bernard Krief Consultants was one of the first management consultancies in France to specialise in marketing. The group also works in sales promotion, staff motivation and recruitment.

Krief said the acquisition would help the group's international expansion.

Yesterday, Saatchi's only public comment was that the consulting division disposals were due to get under way in a matter of "weeks not months."

Given that negotiations on this front have been in progress for some time, the British group is understood to be cautious about entertaining anything other than a serious, fully-financed offer from any alternative party.

Under Saatchi's plans for a series of management sales, Hay was expected to be the first disposal completed, and a 100 per cent sale to management has been in view.

Bernard Krief Consultants is known to have made an unsolicited approach over the consultancies to Saatchi in March last year. This approach drew no response.

It then expressed further interest when Saatchi formally put the consulting arm of its business up for sale in June.

Usinor in discussions with US steel group

By Anatole Kaletsky in New York and William Dawkins in Paris

LTV, the US conglomerate which owns the third-largest steelmaking business in the US, said yesterday it had received an approach from Usinor Sacilor, the government-owned French steel group.

LTV and Usinor announced a deal involving J&L Specialty Products, LTV's stainless steel division, two weeks ago. This is to be acquired by Usinor's stainless steel subsidiary, Ugine ACG, in June.

LTV, which is operating under Chapter 11 of the US Bankruptcy Code, said Usinor had expressed an interest in buying a minority stake in LTV Steel, the group's main steelmaking division.

The US company stressed that Usinor's inquiry was unsolicited and that there had been no detailed talks. The only discussions now under way were on a confidentiality agreement, which would enable Usinor to receive non-public information about LTV's operations, the company said.

However, Usinor yesterday played down suggestions that it had made an unsolicited offer for LTV Steel. The French group said it had long-standing technical relations with the US steelmaker, which could possibly be enlarged. But it added: "It is totally impossible to draw the conclusion today that these contacts could lead to Usinor Sacilor taking a stake in LTV Steel."

While the proposed J&L acquisition would be the biggest US investment to date by a European steelmaker, its significance would be dwarfed if Usinor ended up buying a sizeable stake in LTV Steel.

LTV's steel sales last year came to $4.1bn, with speciality steels accounting for only $348m. In volume terms, LTV steel shipped 7.6m tonnes of steel products. Most of its output consisted of flat-rolled and tubular products after the sale of its bar division in November last year.

LTV has frequently suggested that its long-term strategy for revival might depend on splitting off steel from its other operating divisions. Apart from steel, the Dallas-based LTV manufactures aircraft components, missiles, military vehicles, defence electronics and oilfield services equipment.

Most of its operating income and revenues in the past two years have come from steel, but the company's management has been more aggressive in selling steelmaking operations, rather than other businesses.

'Uncertainties' take their toll on LUI

David Waller explains the background to the suspension of shares in London United Investments

For nearly a year now, stockbrokers have been urging their clients to treat shares in London United Investments with great caution. The more optimistic brokers said that LUI shares might have some speculative appeal; the pessimists urged that they should definitely be avoided.

The pessimists were proved right yesterday. Shares in the troubled insurance agent and underwriter were suspended in view of what the company called "uncertainties about its financial position." At the same time, the Department of Trade and Industry (DTI) said it had banned LUI's principal insurance subsidiary from taking on any new business.

Mr Mark Cornwall-Jones, a director of the Govett Stategic Investment Trust, which holds some 7 per cent of LUI's shares, said he was "extremely disappointed and concerned by the news." But Mr Cornwall-Jones, who was among a group of institutional investors which last summer launched an attack on LUI's management, admitted that it was too early to disentangle the full implications of yesterday's announcement.

LUI, which has Prince Michael of Kent as a director, occupies an important place in the London insurance market. Its principal business is as an underwriting agent and underwriter handling so-called "long-tail" casualty business, predominantly in the US. It bears the ultimate risk for many US companies insuring against the long-term side effects of drugs or pollution, or firms of lawyers and accountants taking out cover against professional negligence claims. In an increasingly litigious climate, claims have risen sharply on this type of policy.

Its two main subsidiaries are H.S. Weavers and Walbrook, underwriting agent and underwriter respectively. The Weavers business is relatively risk-free: it earns a fee from placing underwriting business on behalf of its clients, the insurance brokers. Walbrook, which underwrites 55 per cent of the business handled by Weavers (which amounted to £370m in 1988), is directly exposed to US liability claims.

Yesterday's announcements, from the DTI and from the company itself, make it clear that the problems do not stem directly from Walbrook but from six smaller underwriting subsidiaries. These companies (independent until 1987 when they were taken over by LUI) have not taken on any new underwriting business for some years but are still exposed to the "tail" of claims from previous years. The fate of Walbrook itself is inextricably bound up with that of the subsidiaries, especially if it has reinsured some of its own risk with the six companies.

According to Mr Peter Wilson, LUI's chief executive, both the number of claims and the size of the claims against the six subsidiaries have increased substantially in recent months. Tillinghast, a firm of consulting actuaries, was brought in (for the second year running) to assess if LUI's reserves were sufficient to cover expected liabilities.

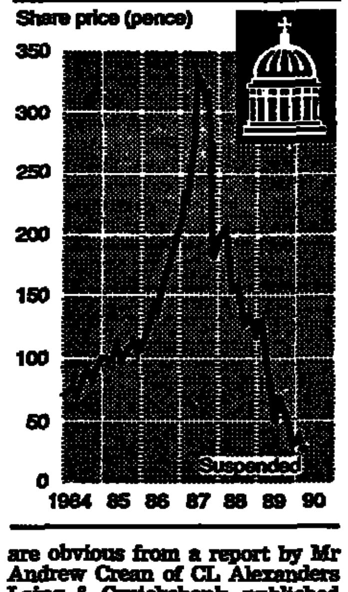
Last year, Tillinghast gave the company a clean bill of health; this year, its review has exposed "financial uncertainties" (which were reported to the DTI on March 24) and as a result additional reserves will need to be made in the accounts. From the barebones of yesterday's announcement, it was impossible to quantify the extent of any financial damages to LUI arising from this shortfall.

It is, however, possible to get an idea of the magnitude of risk involved. At the end of its 1988-89 financial year, the company indicated that it had reserves of £486m, after adjusting for the present value of future cash flows from interest and other income. If one reverses the discounted cash flow calculation, it becomes clear that the company's estimate of its outstanding liabilities at that date was around £682m. This figure towers above LUI's shareholders' funds, which amounted to £63.5m at the end of the financial year.

The dangers of this situation are obvious from a report by Mr Andrew Crean of CL Alexanders Laing & Cruickshank, published in May last year: "In assessing US liability reserves, pinpoint accuracy is unattainable and no margin for adverse deviation is taken. With reserves held against estimated outstanding claims of nearly £700m, a 10 per cent deficiency would be enough to eradicate shareholders funds."

What this means is that LUI as a group is extremely vulnerable, even though yesterday's announcement made clear that problems were confined to a clutch of small subsidiaries, not the main subsidiaries. It is vulnerable because calculating reserves is an art not a science and an error of judgment – even a 10 per cent error – would not be too difficult to make; and vulnerable because of the litigation-blighted state of the US liability market.

London United Investments



Prince Michael of Kent, on the board of LUI

Those who stand to suffer from the collapse of LUI obviously include the company's shareholders, who raised a row last summer after it emerged that two LUI directors had failed to disclose for 10 years in LUI's accounts that they were shareholders in a company with which LUI had business dealings. Leading insurance brokers who brought business to LUI – for example, Sedgwick, CT Bowring, Alexander Howden and Willis Faber – will be affected too. They may ultimately face claims from their clients in the US suddenly deprived of insurance cover. And they may lose significant flows of premium income which LUI has attracted to the London market. The image of the London insurance market, already tarnished after the Outhwaite affair and other scandals at Lloyd's, could be damaged further.

Capital restructuring expected at Isosceles as Low talks collapse

By Maggie Urry in London

A CAPITAL restructuring of Isosceles, the highly-leveraged company which took over the Gateway food retail group with a more than £2bn ($3.2m) bid last year, is expected, following its failure to sell a package of 81 UK stores for £212m to Wm Low, the Scottish-based food retailer.

The recent decision by Isosceles to keep its Herman's sporting goods chain in the US also boosts the likelihood of a capital restructuring.

Isosceles said yesterday that it was looking at a significantly larger business than that which it expected when it took over Gateway. Instead of selling assets to reduce debt, further equity capital would be needed.

The company has £1.3bn of senior debt, £375m of mezzanine debt, and £200m of equity. It is expected shortly to report a small profit in its latest quarter.

Both Wm Low and Isosceles yesterday blamed each other for the sudden breakdown last Friday of discussions over the 81 stores, located in Scotland and the north of England.

Wm Low and the Co-operative Wholesale Society (CWS), the UK stores group, had agreed to buy the stores and split them roughly 50:50 in terms of numbers. Low would have taken the larger stores, however, and borne a greater proportion of the cost.

Low's shares rose 12p to 302p yesterday on the news, as the market had been expecting a rights issue to finance the deal.

Mr James Millar, chief executive of Low, said that Isosceles had agreed the outline of the deal but that discussions had broken down over details of the contract. He said: "I am disappointed that, considering the portfolio was agreed and the price was agreed, we were unable to reach agreement."

Mr David Smith, Isosceles' chief executive, said the discussions originally covered 115 stores. He said Low had been unable to obtain funding for that number of stores and had repeatedly reduced the number of stores it would buy, finally to 81 stores plus a warehouse and some other assets.

Mr Smith said Low had decided at the last minute that it did not want the warehouse and other assets, and that a management agreement covering the handover of the stores, would have been inefficient to operate and costly for Gateway. He said that Isosceles then decided not to proceed with the deal.

Mr David Skinner, deputy chief executive at the CWS in charge of retailing, was also disappointed that the deal had fallen through. He said CWS was still planning to expand through acquisition, and that it was interested in 20 superstores which Gateway had for sale.

Lex, Page 22

Rossignol warns of net losses

By William Dawkins in Paris

THE LACK of snow on European ski slopes this winter has begun to show through in the results of Groupe Rossignol. The world's largest ski maker, yesterday warned that it expects a net loss of between FFr10m ($1.74m) and FFr15m for the 12 months to March 31, 1990, its first deficit for many years.

The announcement confirms the seriousness of the ski industry's difficulties. Mr Laurent Boix Vives, Rossignol's chairman, said the swing, from a FFr24.6m net profit in 1988, was almost entirely due to the lack of snow in the Alps and would certainly worsen this year.

The group would call on its investors for capital in the next few months, partly to fund a diversification into golf equipment.

Most of the deficit came from last year's bad season, so the full impact of the current snow shortage will not be felt until next year, when Mr Boix Vives predicted a rise in losses to between FFr20m and FFr50m, depending on exchange rates.

More than three-quarters of Rossignol's sales are exported, with the US and Japan being the top markets. If the weather returns to normal in the Alps next winter, Rossignol should return to profit in the year to March 1992, he said.

Turnover fell only slightly, to FFr1.5bn from FFr1.6bn the previous year, but the number of skis sold fell sharply by 7 per cent to 1.44m and should drop further to 1.36m this year, he warned.

However, Rossignol has done less badly than the ski market overall, which Mr Boix Vives said had fallen by 30 per cent in volume in Europe in the last year.

Sales are increasing in the US and Japan, so that worldwide, the ski market has shrunk by 13.5 per cent in volume to an estimated 5.9m pairs of skis bought last year.

Mr Boix Vives estimated that European ski retailers currently have roughly half of a normal year's stocks sitting unsold in their shops, suggesting that they will be unlikely to buy heavily for the next season.

Background, Page 24

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Gillette in US deal on Wilkinson purchase

By Anatole Kaletsky

GILLETTE, the Boston-based shaving products group, said yesterday that it had struck an agreement with the US Justice Department which would enable it to buy most of the non-European businesses of Wilkinson Sword.

Gillette agreed to buy the Wilkinson businesses in December last year from the Stora Group of Sweden. But the deal was challenged in January by the Justice Department, which charged that it would increase Gillette's dominant position in the US razor market.

The value of the deal to Stora was about $70m.

Gillette argued that the effect of the merger on US consumers would be minimal since Wilkinson had only 3 per cent of the US market by volume and 1 per cent by value.

But the company also hinted that it would consider excluding Wilkinson's US business from the acquisition if this was necessary to allay the antitrust concerns.

This was essentially the arrangement announced yesterday.

Gillette said that it would not buy Wilkinson's US businesses, but would proceed with the acquisition of the other properties as agreed with Stora in December.

The main attractions of Wilkinson for Gillette are its businesses in Australasia and Latin America.

Saint-Gobain in glass-fibre move

By Our Financial Staff

SAINT-GOBAIN, the French building materials group, is paying more than FFr100m ($17.4m) to gain the knowhow and commercial activities of CemFIL, Pilkington's alkali-resistant glass fibre.

The purchase, through Saint-Gobain's Spanish subsidiary Cristaleria Española, makes the French company's glass fibre reinforcement division the world leader in alkali-resistant glass fibres.

Italtel lifts earnings to L112bn after sales jump by 27%

By Haig Simonian in Milan

NET GROUP earnings at Italtel, the Italian public-sector telecommunications equipment maker, increased by 15 per cent to L112bn ($89m) last year from L97bn in 1988, thanks partly to a 27 per cent jump in sales to L2,150bn.

Much of the rise in turnover stemmed from the heavy investment programme under way at Sip, Italy's telecommunications authority, in a drive to modernise the country's overworked telephone system.

By contrast, the financial benefits of Italtel's alliance with American Telephone & Telegraph (AT&T), announced last year, are still largely in the pipeline, the company said.

Mr Salvatore Randi, Italtel's managing director, said: "The co-operation with AT&T has been going according to plan, with the first results brought to fruition in 1989 and more due in the current year." He gave no details of the financial performance of the alliance.

Sales volume rose by 40 per cent last year, but a decline of around 10 per cent in prices meant turnover had not reflected the full benefits of the surge, Italtel said. Spending on research and development increased by almost 16 per cent to L226bn, representing 10.5 per cent of turnover.

The number of installations of Italtel's UT digital exchanges increased by a further 1.2m lines, taking the total in Italy to 3.7m by the end of last year.

BCI operating profit rises 26% due to cost control

By Haig Simonian

NET PROFITS at Banca Commerciale Italiana (BCI), the biggest of the three banks controlled by the IRI state holding company, fell to L420.3bn ($343m) from L501.3bn in 1988, when earnings were inflated by the L431bn one-off sale of shares in Mediobanca.

Operating profits, net of gains from the disposal of investments, surged by 26.4 per cent to L1,014bn in 1989 from L802.2, thanks to improvements in the bank's activities and tight cost control, it said.

BCI is raising its dividend by L20 a share to L200 and L230 for its ordinary and preference shares respectively.

During the year the bank increased its provisions for countries with debt repayment problems to 60 per cent of total exposure from 50 per cent the previous year. Taking tax deductions on any eventual losses into account, the effective level amounts to around 75 per cent, said an official.

Total deposits at consolidated group level rose to L98,200bn, while lending reached L83,700bn.

Munich bank hit by costs increase

BAYERISCHE Vereinsbank, the large Munich-based bank, blamed lower earnings last year on a hefty rise in costs and the difficult interest rate environment, writes Katharine Campbell.

Partial operating profits at group level fell 4.2 per cent to DM844m ($496m), and at parent level 2.7 per cent to DM543m. The bank's trading operations, about which its gives no specific figures, also fell.

Mr Maximilian Hackl, chairman, said the bank was unhappy with a 6.5 per cent rise in administration costs, partly prompted by investments in overseas expansion.

He said the bank's strategy in East Germany could mean postponing or even cancelling other investment plans. Analysts say German regional banks will exploit their advantages across the border – possibly at the expense of international growth.

The group balance sheet increased 6.8 per cent last year to DM173.6bn.

Bayer posts record year but slows in last quarter

By Katharine Campbell in Frankfurt

BAYER, one of the big three West German chemicals groups, suffered a fall in pre-tax profits in the last quarter of 1989, while still showing record profits for the year.

In a letter to shareholders the group reported sales for the year of DM43.3bn ($25.5bn), up 7 per cent, and pre-tax profits of DM4.1bn, an increase of 8.7 per cent.

Profitability at parent company level rose particularly strongly – up 15.4 per cent at DM2.4bn – with high capacity utilisation favourably affecting costs.

However, pre-tax profits in the fourth quarter, at DM792m, were 3.6 per cent lower than in the fourth quarter of 1988, signalling that the growth of previous years shared with the rest of the industry is abating. Group sales, valued at DM10.4bn, were up just 0.1 per cent.

Analysts said that high raw material costs in the polyurethane operations, and the weakness of the yen and pound in export markets, were responsible for the relative drop. Bayer pointed out that the 1988 results were exceptional – last quarter 1988 pre-tax profits showed a 24.4 per cent rise on the previous year.

The company reported good progress in America and Asia – with sales up 19.3 per cent in North America over the year, for instance – but the economic difficulties in Latin America led to an 18.6 per cent decline in turnover there.

● Degussa said yesterday that its group net income climbed 20 per cent in the year ended September 30 1989 to a record DM175m from DM146m in fiscal 1988.

The West German metals and chemicals group ascribed the gain to better results in the metals sector and a sharp increase in earnings from the pharmaceutical division. Profit in chemicals declined slightly from the year-earlier level, Degussa said.

Earnings per share climbed 9 per cent to DM31 a share from DM28.5 in 1988, the company said.

Ski companies skid into a tangle

Paul Abrahams and Haig Simonian on moves to offset difficult times

When Rossignol, the French company that is the world's largest ski manufacturer, announced its results yesterday, they indicated that the skiing business was in trouble.

Since the early 1980s the world skiing equipment industry has been showing all the symptoms of a mature market. But it now faces the dubious honour of being the first sector to experience restructuring, or at least accelerated rationalisation, perhaps as a consequence of the greenhouse effect.

Demand for skiing products was slowing even before the last three seasons, when the snow failed to arrive in most European resorts. During the 1983/4 season, for example, only 5.6m skis were sold worldwide compared with 7m during 1979/80.

The lack of snow has exacerbated that slowdown. Salomon, the French boot and binding manufacturer, estimates that between 1987 and 1989 sales of alpine skiing products to retailers fell 10 per cent, while sales of products for cross-country skiing fell 30 per cent.

"This season has been very bad," says Mr Jean-Jacques Bompard, secretary-general at Rossignol. "Preliminary figures from the major trade shows this month suggest that sales in Europe have fallen between 30 and 50 per cent across the board."

Mr Bompard has warned analysts that Rossignol will make a loss of about FFr1m ($174,000) next year when retailers with stocks still sitting on their shelves from last season reduce their orders.

Analysts reckon that, although poor sales will adversely affect large companies such as Rossignol, the downturn will be more serious for the smaller companies in the market.

"The European market for ski equipment manufacture has traditionally been characterised by fragmentation," explains Mr François Maury, an analyst at Gerard Délore, the Lyon-based stockbroker.

"There are still as many as 100 ski manufacturers. We are now seeing a rapid concentration which began 10 years ago, but which is now accelerating."

Five major groups are emerging. Two are private companies – Atomic of Austria and Head, an Austro-Japanese company. Two, Salomon and Rossignol, are publicly-quoted French companies; the fifth is Benetton, the Italian clothing concern.

Analysts point out that these large companies are likely to see through the downturn because they have internationalised their operations.

Mr Georges Salomon, director-general of Salomon, which leads the world in ski binding manufacture, argues that to survive seasons without adequate snow in Europe, companies need to have the resources to diversify geographically into the US and Japan. So far the snow shortage has not hit all three markets simultaneously. He says companies that remain domestically orientated are not only handicapped, they are condemned.

However, setting up the necessary distribution networks is expensive, particularly in Japan, and is therefore an option only available to large companies.

The larger companies also have the resources to diversify into other ski products, which they can use to amortise the cost of these international distribution channels, says Mr Salomon.

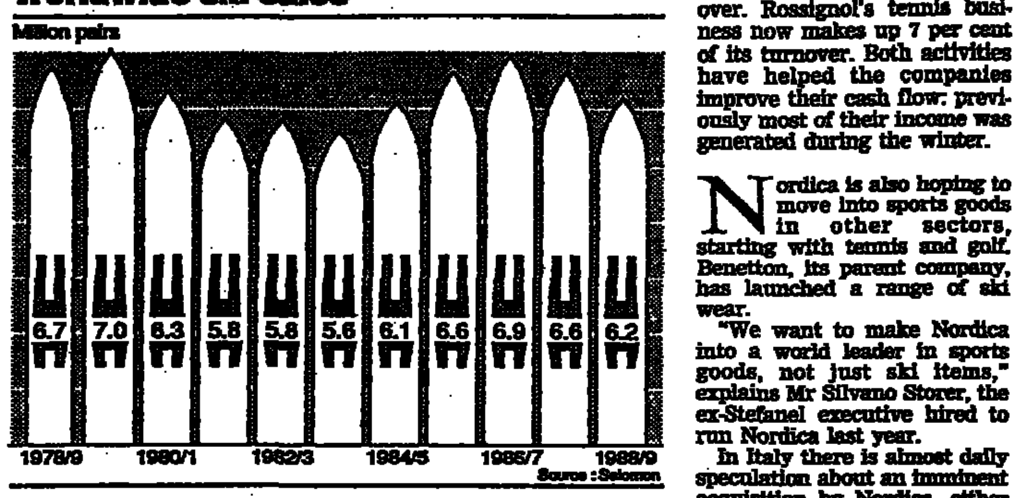
Most large skiing equipment companies are busy diversifying in this way. Salomon, which initially diversified from bindings into boots, now plans to launch skis this coming winter after investing FFr300m in a new factory.

Meanwhile, Rossignol has acquired Lange, a boot manufacturer, and is understood to be searching for a binding supplier. Head owns Tyrolia, a binding company, and Mares, a clothing supplier, while Atomic has purchased ESS, the binding manufacturer, and Koflach, which specialises in ski boots.

Nordica, the Italian manufacturer of ski boots, is also no stranger to the trend. Since it was bought last year by Edizione Holding, the private company owned by Italy's Benetton family, it has made no secret of its plans to grow beyond boots into a full range of ski equipment.

Worldwide ski sales

Million pairs



Source: Salomon

Analysts also think that the increasing scale of investment required for research and development, both to reduce the cost of manufacturing and provide competitive advantage, is beyond the reach of all but the largest companies.

In addition, the smaller companies do not have the means to purchase the new manufacturing technology needed to improve quality and make products cheaper to make. For instance, Dynastar, a division of Rossignol, invests about FFr10m every year in new tools. It believes the investment is essential if it is going to be able to pass on larger margins to the retailers.

Smaller manufacturers are also likely to be badly affected by the restructuring of the European retailing end, which has also suffered from lack of snow.

Many small retailers have ceased trading, and the larger companies have been able to increase leverage on the manufacturers. Most are also seeking refuge in the best known marques, which represent the least risk.

Finally, the smaller companies do not have the resources to develop product lines outside skiing and so reduce their dependency on snow.

Salomon has spent more than $4m on its golf business, which represents more than 23 per cent of the company's turnover. Rossignol's tennis business now makes up 7 per cent of its turnover. Both activities have helped the companies improve their cash flow: previously most of their income was generated during the winter.

Nordica is also hoping to move into sports goods in other sectors, starting with tennis and golf. Benetton, its parent company, has launched a range of ski wear.

"We want to make Nordica into a world leader in sports goods, not just ski items," explains Mr Silvano Storer, the ex-Stefanel executive hired to run Nordica last year.

In Italy there is almost daily speculation about an imminent acquisition by Nordica, either of a ski manufacturer such as Rossignol or of the mixed group which owns brands such as Head, Tyrolia and Mares. Mr Storer insists that only agreed takeovers will do, and that the existing management must stay on.

Other independent marques may be taken over. Rumours in the industry suggest that the four companies controlling the best-known independent marques may be absorbed into the big five. These four are: Marker, the German binding company; Raichle, the Swiss ski boot concern; K2, the American ski manufacturer; and Fischer, the Austrian ski supplier.

In the meantime, while predators and prey sit out the summer, the industry will be praying that next season, at least, the snow falls. Manufacturers are convinced that there is considerable pent-up demand for their products, and that it will only require one good season to catch up lost ground.

Rhône-Alps survey, Page 11-13

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March, 1990

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New Issue

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INTERNATIONAL COMPANIES AND FINANCE

Japan devours an American totem

Anatole Kaletsky on the takeover of 7-Eleven convenience stores

"Soon you guys gonna learn Japanese – that's what the customers have all been saying," said Ms Jeanette Nevins, a 7-Eleven shop assistant in small-town Virginia, after she had heard that another totem of Americana was being bought by the Japanese.

Mr Terrance Ellis, a 7-Eleven clerk in Detroit, said: "I guess it's terrible, but it's really not surprising. They bought up all those buildings in New York, so now it's our turn."

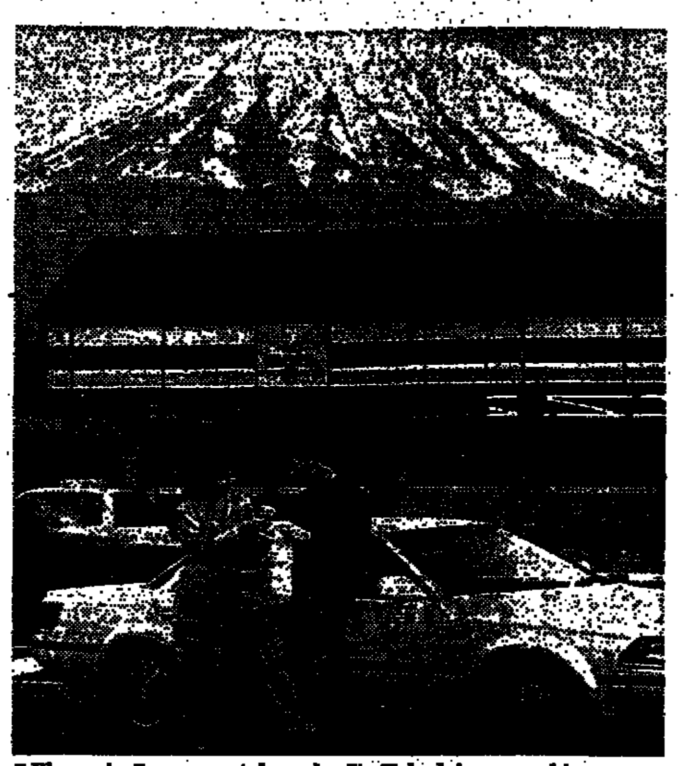
Similar quips could be heard last week up and down the country, following the announcement that Southland, the parent company of 7-Eleven, had reached a tentative agreement to sell 75 per cent of its equity to Ito-Yokado, the big Japanese retailer and Southland franchisee.

In spite of the mildly xenophobic jibes, however, there seemed to be little genuine hostility about Japan's latest decision to buy a slice of the American heartland – in fact the biggest such slice to date, since Southland's total capital value, including assumed debt, would probably exceed the $3.4bn paid last year by Sony for Columbia Pictures.

The relatively relaxed reaction to the proposed sale of Southland contrasts with the soul-searching which followed the Columbia deal and the Japanese acquisitions of CBS Records and the Rockefeller Centre.

In part, the difference in attitude is probably attributable to the mundane nature of Southland's business, although the company and its franchisees probably employ more Americans than all of the recent Japanese acquisitions put together.

But the US public is also becoming increasingly sophisticated in its assessment of Japanese takeovers. Most are aware that Japanese investment generally means high wages and good jobs. In the past, Japanese acquisitions have sparked more controversy than the even greater flood of British investment, which still exceeds Japanese inflows to America, even on a year-by-year basis.



7-Eleven in Japanese style under Ito-Yokado's ownership

But this is not because Americans detest the Japanese. Nobody much cares if British companies sell Shell petrol, own Burger King, or control SmithKline Beckman, because it is obvious that Britain's deluge of foreign investment reflects the weakness, not strength, of its domestic economy.

Japanese takeovers, by contrast, reflect a huge and intractable trade surplus of which every American is aware and which many now see as America's own fault.

This is perhaps why US public opinion now seems to react with more cynicism than righteous indignation to the Japanese takeover threat: if anyone is to blame for "selling out America" it is seen as the politicians in Washington, the investment bankers on Wall Street, and the incompetent managers in boardrooms from Los Angeles to Detroit.

Fortunately for international economic relations, the case of 7-Eleven might have been specially devised to prove this point.

Southland, which owns or franchises no fewer than 13,000 garishly lit and sparkling clean convenience stores around the world, may once have been a paragon of American marketing and franchising prowess, but in the past few years it has become a case-study in the perils of financial speculation.

In fact, the deal to buy Southland, announced last week by Japan's Ito-Yokado, seemed like a perfect culmination for this typical hard-luck story of the late 1980s. What could be more appropriate than Southland being rescued from the consequences of Wall Street's blunders by its own better-financed franchisee in Japan?

Under the deal announced last week, Ito-Yokado would acquire 75 per cent of Southland's common equity in exchange for a $400m cash infusion.

It would also put the company on a more secure financial footing by helping it to refinance the $1.8bn of junk bond debt which Southland took on two years ago to pay for a singularly misjudged and badly timed leveraged buy-out. The LBO was completed two weeks before the peak of the bull market on Wall Street in the summer of 1987.

Like many of the deals done around that time, it turned out to have been based on absurdly over-optimistic financial projections. The Thompson family, whose father founded Southland, paid $5.2bn for the company – a sum which was, in retrospect, far too generous to the old shareholders and impossibly demanding for the company's management and new lenders.

It added to the many ironies of the Southland story that the Thompsons were persuaded to pay this inflated price by two of the most conservative investment banks on Wall Street – Goldman Sachs and Lazard Frères.

The reason for the high price was simple. The Thompsons and their investment advisers believed that a lower offer would only invite hostile bids from the many corporate raiders who were then stalking every key retailing business.

Within months of the buy-out, the company was failing to meet its rosy projections of unfailing real growth of 3 per cent annually.

By the end of last year its junk bonds had fallen to between 15 and 35 per cent of their face value, in spite of their average nominal yields of about 17 per cent. It was increasingly clear that Southland could simply not sustain this crushing interest burden, however much it cut investment, trimmed expenses or sold off assets.

To any American populist who might be tempted to complain about the Japanese takeover, Ito-Yokado and Southland therefore have a ready-made answer. There may be an American route for 7-Eleven to follow – but unfortunately this would probably lead straight to the bankruptcy court.

Avon settles proxy challenge

By Karen Zagor in New York

AVON Products, the world's biggest maker of cosmetics and toiletries which has resisted several takeover approaches in the past year, yesterday said it had settled a pending proxy fight with Chartwell Associates, a partnership which includes the wealthy Getty and Fisher families.

Chartwell, which holds about 7.5 per cent of Avon's voting shares, had planned to nominate four candidates to Avon's 11-member board.

Although Chartwell has said Avon's shareholders would be best served by the sale of the company, Avon has made considerable strides in improving its balance sheet since the company was first put into play last May.

The company recently sold its stake in Avon Japan for $338m. In 1989 Avon had net earnings per share of $2.10 from continuing operations on revenues of $3.3bn. Chartwell has not made an offer to purchase Avon.

Under the terms of the agreement with Chartwell, Avon's board will nominate two directors proposed by Chartwell and two incumbent Avon directors for election at the company's annual meeting on May 3.

The Chartwell nominees are Mr Anthony Fisher, of the Fisher real estate family, and Mr Marc Leland, representing Getty interests. The Avon candidates are Mr James Preston, Avon's chairman and chief executive, and Mr Charles Locke, chairman and chief executive of Morton International, an offshoot of Morton Thiokol.

As part of the agreement the board will establish a committee "to consider alternatives to maximise shareholder value."

Mr John Rochon, a partner in the Chartwell group, will resign as vice chairman of the Mary Kay Corporation and become a consultant to Avon for one year. Mr Rochon is one of the key executives of Mary Kay, another door-to-door cosmetics company, which underwent a successful leveraged buy-out in 1985.

Avon's shares were trading $⅜ down at $34½ yesterday on the New York Stock Exchange. The company's stock fell as low as $27 last September, before the Chartwell stake sent the shares up to the $35 range.

Bank Leumi up with reduced debt provisions

By Hugh Carnegy in Tel Aviv

BANK LEUMI le-Israel, one of the country's two biggest financial groups, yesterday announced a return to profits in 1989, thanks largely to sharply reduced provisions for bad debts.

The group, in which the Government is preparing to sell a controlling stake, showed an inflation-adjusted net profit of Shk153.8m ($77m), compared with a loss in 1988 of Shk244,000. The result was achieved in spite of reduced margins on non-index linked shekel loans, traditionally a key generator of revenue, which left net income from interest down 9 per cent at Shk1.67bn.

A rise in non-interest income – partly due to liberalisation measures in the Israeli capital markets – and a cut in expenses, coupled with the drop in bad debt provision, produced the turnround.

Bank Leumi, the first of the big four Israeli banks to report, set aside Shk407.5m for bad loans, down 47 per cent on 1988, when huge write-offs were made by all the banks to cover a debt crisis in the kibbutzim co-operative movement.

However, 1989 provisions still amounted to 1.7 per cent of the bank's total loan portfolio and were above 1987 levels. Mr David Friedmann, Bank Leumi chief executive, said they were attributable to the slump which has blighted the Israeli economy for two years.

Bank Leumi is controlled by the Jewish Colonial Trust through a minority but preferential shareholding. The Government owns the majority of its stock and is due to sell off a big portion, possibly later this year.

Total assets were down 3.5 per cent at Shk56bn and total deposits and loans were little changed at Shk40bn and Shk24.5bn respectively.

Venezuelan oil group advances

PETROLEOS de Venezuela, Venezuela's national oil company, lifted net profit last year, writes Joe Mann in Caracas.

The company, which is one of the world's largest oil concerns, took 1989 net profit to more than US$2bn on gross income of $10.5bn, according to preliminary figures released by the Government. In 1988 the group recorded a profit of $1.02bn, on income of $9.5bn.

The company's export receipts rose by around $1bn last year, and income from domestic sales of oil products also increased due to large price increases, decreed in early 1989.

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For a full editorial synopsis and advertisement details, please contact:

HENRY KRZYMUSKI or GILLIAN KING on 01-873 3699/4823

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In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from 28th March, 1990 to 28th September, 1990 has been established at 8¼ per cent. per annum.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

INTERNATIONAL COMPANIES AND FINANCE

Goodman profits slashed by 71%

By Chris Sherwell in Sydney

A A$30m (US$22.42m) abnormal loss arising from last June's abortive takeover move against Industrial Equity (IEL) has slashed interim after-tax profits by 71 per cent at Goodman Fielder Wattie, the Australasian food giant.

Figures released yesterday for the six months to December showed earnings after-tax and minority interests of A$40.8m, down from A$139.4m in the previous corresponding period. Sales rose 15 per cent to A$1.7bn, but other revenues were down 41 per cent to A$482m.

Earnings per share, including abnormal items, were just 4 cents, down from 14.3 cents. However, directors declared an unchanged interim dividend of 5 cents per share, unfranked for local tax purposes.

Reinforcing the sense of disappointment, the group offered no fresh indication regarding a new chief executive to replace Mr Duncan McDonald, who resigned last year.

A statement said the board expected to make an announcement soon.

According to a breakdown of the figures, the group's move on IEL produced an A$18.8m loss on the disposal of its initial 20 per cent stake and another A$27.5m in interest charges. Offsetting dividends and income tax benefits left an overall A$30.1m abnormal loss.

The takeover, worth A$1.8bn in cash and shares, was part of a deal agreed between Mr Pat Goodman, chairman of Goodman Fielder Wattie, and Sir Ron Brierley, another New Zealand entrepreneur, who had decided to sell out of his Australian interests.

However, it dismayed Goodman Fielder Wattie's principal institutional shareholders and was overtaken by an attempted management buy-out of IEL, which also failed. IEL is now controlled by the Adelaide Steamship group, to which Goodman Fielder Wattie eventually sold out.

The move on IEL also followed Goodman Fielder Wattie's successful fight against a £1.3bn (US$2.08bn) takeover attempt by Ranks Hovis McDougall of the UK, for which Goodman had bid, unsuccessfully, in 1988.

Goodman Fielder Wattie said yesterday: "As a result of divestments over the past 18 months of major equity investments, the company has emerged in a strong financial position."

Gearing – net debt as a percentage of shareholders' funds – was down to 79 per cent, it said, while investments in operational assets now exceeded 90 per cent of total assets.

At a pre-interest and pre-tax level, earnings were still down marginally to A$107m from A$109m. But with net interest expenses cut to A$30m from A$41m and similar tax charges, after-tax profit before abnormals was up 12 per cent to A$70.9m.

"Trading profits from the majority of core business operations showed substantial improvement in the half," the company said.

This fuelled optimism "that further gains in the level and quality of earnings will emerge in the second half of the financial year and into 1991."

Cracker projects fuel competition

K.K. Sharma and Gita Piramal on India's plans for new plants

A RECENT decision by the West Bengal Government to press ahead with plans for a new naphtha cracker and downstream units in partnership with the Tata group has given India's petrochemicals sector a distinctly overcrowded look.

At least seven groups now have government approval to establish new or expanded giant naphtha-ethylene crackers, the mother plants for downstream units. However, because of the scarcity of rupee and hard currency funds as well as demand constraints, no more than four of these can become viable in the next few years. Inevitably, a race has started among them to wrest an early place for themselves on the petrochemicals map.

Two of the 300,000-tonne cracker projects, allotted to the Government-owned Indian Petrochemicals Corporation (IPCL) at Gandhar and the Gas Authority of India (Gail) at Auraiya, have a head start over the others. Assured of funds and the necessary raw materials, these are certain to come up within the next three years.

The race for two – or, at the most, three – more crackers, each requiring an investment of some Rs30bn ($1.77bn), is now on among the West Bengal government-sponsored complex to be taken up with Tatas as partners at Haldia, Mafatlal's Nocil plant in collaboration with Shell at Thane, the Ambani group's projected cracker at Hazira, Mr R.P Goenka's planned project in collaboration with Linde of West Germany at Madras, and Vijaya Mallya's plant for a cracker at Vizagapatnam.

PETROCHEMICAL CRACKERS PROPOSED IN INDIA

Group	Location	Capacity (t)
Indian Petrochemicals	Gandhar	300,000
Gas Authority of India	Auraiya	300,000
Ambani/Reliance Petro	Hazira	320,000
Mafatlal/Nocil	Thane	300,000
W. Bengal/Tata Tea	Haldia	300,000
Linde/RPG Enterprises	Madras	450,000
Vijay Mallya/UB	Vishakapatnam	300,000

Officials believe that the winners will be those which can implement their projects the fastest. Two factors will govern the pace of the race – availability of rupee funds, and finding a foreign collaborator willing to invest Rs6bn in hard currency for the necessary technology and capital goods.

The Government has stipulated that all projects must make arrangements for these on their own without depending on the public financial institutions.

As of now, the two projects ahead of the others are Mafatlal's Nocil plant and the proposed West Bengal-Tata project. The former already exists and merely requires an expansion of its present 75,000-tonne unit to 300,000 tonnes a year. The Mafatlal group has arranged for collaboration with Shell, but a remaining hurdle is the environmental objection to the expansion of an industrial plant in a populated area. Technology to overcome this is now said to be available.

In spite of its late start, the Tata project at Haldia has the big advantage of having political priority. West Bengal's government is run by the Marxists, one of the two main props of the National Front Government in New Delhi, and so are assured of the necessary political backing for a project that has been in cold storage for more than a decade.

The West Bengal Government is also determined to cash in on the recent approval for the project. Mr Jyoti Basu, its Marxist Chief Minister, has long sought fresh investment in what was once India's most industrialised state to provide employment and growth of the long-stagnant West Bengal economy.

This explains his choice of the Tata group as a partner in preference to its earlier leaning towards Mr Goenka. Mr Darbari Seth, chairman of Tata Tea, which Mr Basu has chosen as the private sector partner in the venture, quietly pipped at least eight other contenders at the post when the West Bengal Government reviewed the question last month.

The Government's choice was dictated by the fact that Tatas have both the necessary funds and the management skills for a project of the size of Haldia which, in addition to the main cracker, will have eight downstream units.

Possibly even more important, fresh Tata investment in Marxist West Bengal, where no significant new company has been started in the last decade, will encourage other private companies to start investing again in the state.

The Tatas have agreed to provide Rs1.87bn as their 25 per cent share of the equity part of the project while West Bengal will provide slightly more. The snag is finding the remaining funds – and this is where Mr Basu's political clout in New Delhi will probably be decisive.

Mr Basu is to seek a fresh letter of intent from the central Government. The reason is only partly because Tata Tea has been chosen as a partner in place of Mr Goenka. More to the point, he will seek a waiver of the rule that institutional finance will not be available for petrochemical complexes. If he gains backing from the public financial institutions, raising the remaining funds from the capital markets will not be a problem.

Mr Seth is seeking a foreign partner and the accompanying hard currency, and sees no problem in beginning work on Haldia within the next six months and commissioning of the cracker three years after that.

Mayne Nickless sells payroll subsidiary

By Chris Sherwell

MAYNE NICKLESS, the Australian transport and security group, yesterday announced the A$120m (US$89.6m) sale of its computer payroll services division to MLC Life, the financial services arm of the Lend Lease property group.

The sale will give the group a profit of around A$80m, and follows a strategic review which showed that the subsidiary, called Mayne Nickless Computer Services, had limited opportunities for expansion at home and abroad.

MLC said it believed there was a growing market for specialist providers of payroll services and saw the acquisition as a strategic move to expand its range of financial services.

Mayne Nickless Computer Services had earnings before interest and tax for the year to last June of A$17.5m on sales of A$75m. Total assets were about A$49m.

Mr Ian Webber, managing director of Mayne Nickless, confirmed his group would continue to focus on its core activities of security and transport and said it was reviewing opportunities to expand overseas, especially in Europe.

The cash received for the computer payroll division would be used to finance these and other moves and to reduce Mayne Nickless's present net debt to a minimal amount, he added.

The buyer, MLC Payroll Services, is a wholly owned subsidiary of MLC Life. It will acquire a nationwide network of branches, computer equipment, communications facilities and proprietary software used to provide computer bureau payroll services.

Turnover at Malaysia Mining up 20%

MALAYSIA MINING Corporation expects to perform satisfactorily in the current year after lifting group pre-tax profits 69 per cent to 120.5m ringgit (US$44.1m) in the year to January, Agencies report from Kuala Lumpur.

Turnover rose 20 per cent to 776.8m ringgit. The group said higher commodity prices during the first half, in particular tin, as well as a rise in investment and interest income and improved results of associated companies contributed to the higher result.

There was also an extraordinary gain of 70.1m ringgit compared with 118.8m ringgit. The dividend is maintained at 30 per cent.

● Amalgamated Steel Mills boosted pre-tax profit 52 per cent to 44.4m ringgit in the six months to December. However, attributable earnings fell 26.3 per cent to 22.1m ringgit.

Better sales aid Tan Chong Motor

TAN CHONG Motor, the Malaysian industrial and trading group, trebled pre-tax profit last year, due to improved motor sales at home and in Singapore, writes Lim Siong Hoon in Kuala Lumpur.

Its core business is in the assembly and distribution of Nissan cars and vans. Group turnover rose 75 per cent from 915m ringgit (US$335.4m) to 1.6bn ringgit. Profit before tax was 154m ringgit against 50m ringgit in 1988. Profit after tax and minority interests trebled to 107m ringgit, giving net earnings of 15.9 cents a share.

Malaysian shipping line expands

MALAYSIAN International Shipping Corporation (Misc), the country's privatised shipping line, lifted pre-tax profits 10.5 per cent last year to 432.7m ringgit (US$159m), Our Financial Staff writes.

It attributed the result – which came on turnover up only 3.3 per cent to 1.58bn ringgit – to better contributions from the liner and bulk trades, full employment of its liquefied natural gas carriers, savings on operating costs and a reduction in interest payments.

The final dividend is 14 cents against 10 cents.

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INTERNATIONAL CAPITAL MARKETS

Spain's bourse reform set to force broker mergers

Peter Bruce on the shake-up of market practices

Mr Luis Carlos Croissier may be one of the few genuinely contented people in Spanish public life. A year ago, as the recently appointed chairman of the Comision Nacional del Mercado de Valores, the stock market commission, he was working furiously to bring a profound reform of Spanish stock market practice by midsummer.

Spain's individual brokers were being forced to form broking firms and subject themselves to strict capital adequacy requirements, and 10-minute trading sessions were being supplanted by a computerised trading system. Furthermore, rules on takeovers were being drafted, along with other regulations covering treasury stock and company reporting.

It has all gone rather well for the young Canary Islander. "There have been no traumas," says Mr Croissier. All 57 individual brokers registered in July 1989 are still functioning and – more importantly – 60 per cent of trading volume is now being made in the computerised market.

By the end of this summer, he says, the commission will be able to put a unified clearing system in place, cutting settlements to a maximum of five days.

The reforms, he says, has brought unprecedented levels of transparency to the market. All purchases of more than 5 per cent of a quoted company now have to be reported. "We have come from a practically unsupervised market to be a very disciplined one. The rules of the game have changed."

Luis Carlos Crossier: There have been no traumas

Mr Croissier wasted little time in proving this when he forced the closure last autumn of Drexel Burnham Lambert's Spanish operation for alleged fraud during the $1bn part-privatisation of the Repsol oil conglomerate. Since then his commission has rapped two other Spanish firms and is investigating two more.He insists the Repsol irregularities have not damaged the reputation of the four Spanish bolsas.

Nevertheless, the markets are deeply troubled for reasons beyond Mr Croissier's control. The Madrid index has fallen nearly 23 per cent since its peaks of last September 13. Foreign investors, who account for up to a third of Spanish volumes, have begun to stay away, partly due to fears that the peseta will be devalued and partly because other markets have become more attractive.

High interest rates and a chronically widening trade deficit have made Spanish investors nervous as well. Combined with the opening shots of a deposits war between Spain's big commercial banks this has led to a fall in the value of bank shares which make up the bulk of the index.

The shake-up has intensified competition. Some of the larger brokers – many of them controlled since last year by banks – are trying to patch together agreements to stop discounting of commissions spreading from smaller firms.

Important brokers like Mr Juan Monjardin, chairman of Benito y Monjardin, are convinced that Spain cannot support 57 firms. Business now, he said last week, "is much more difficult. We don't think it is logical to have more than 15 brokers. It is unsupportable."

B&M is making a capital increase to allow Kidder, Peabody, the US investment house, to take a 25 per cent stake and other brokers are likely to follow suit as costs of staying in the market increase. Mr Croissier is not losing much sleep, however. "It is difficult to see 57 firms doing everything," he says, "but it is too early to say what will happen."

Rationalisation is, most analysts agree, inevitable. Big brokers not owned by banks are diversifying into investment banking. Those under bank control tend to concentrate on broking while the bank keeps fund management or merger and acquisitions work to itself. Small brokers look to have little option but to merge, sell out, or live very modestly.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8½ 96	750	96¾	96⅞	+0¼	+0⅝	9.31
Alberta 9¼ 95	600	100⅛	100½	+0¼	+0½	9.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6½ 91	80	98⅞	98⅞	–0⅛	–0⅛	0.08
Canada 5⅝ 93	80	94⅞	95⅛	0	+0⅛	7.36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; State Bank of Victoria; Swiss Bank Corporation; UBS-Phillips & Drew Securities; S.G. Warburg Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, March 26, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	61.4931	35.8626	39.3458
Albania	(Lek)	10.1725	6.3026	3.6757	4.0327
Algeria	(Dinar)	12.8960	7.9900	4.6598	5.1123
Andorra	(Fr Fr)	9.3175	5.7729	3.3667	3.6937
	(Sp Peseta)	176.60	109.4175	63.8121	70.0099
Angola	(Kwanza)	51.0150u	30.0412	18.4356	20.2239
Antigua	(E Carr $)	4.3525	2.6967	1.5727	1.7254
Argentina	(Austral)	8049.82	4987.4969	2908.6973	3191.2071
Aruba	(Florin)	2.8855	1.7877	1.0426	1.1439
Australia	(Aus $)	2.1610	1.3389	0.7808	0.8566
Austria	(Schilling)	19.455	12.0539	7.0298	7.7125
Azores	(Port Escudo)	244.00	151.1771	88.1662	96.7294
Bahamas	(Bahama $)	1.6140	1	0.5831	0.6398
Bahrain	(Dinar)	0.6080	0.3767	0.2196	0.2410
Balearic Is	(Sp Peseta)	176.60	109.4175	63.8121	70.0099
Bangladesh	(Taka)	52.80	32.7137	19.0785	20.9316
Barbados	(Barb $)	3.2422	2.0087	1.1715	1.2853
Belgium	(Belg Fr)	57.40	35.5638	20.7407	22.7552
Belize	(B $)	3.2240	1.9975	1.1649	1.2780
Benin	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Bermuda	(Bermudian $)	1.6140	1	0.5831	0.6398
Bhutan	(Ngultrum)	27.35	16.9454	9.8825	10.8424
Bolivia	(Boliviano)	4.9650	3.0762	1.7940	1.9682
Botswana	(Pula)	3.04	1.8835	1.0984	1.2051
Brazil	(Cruzado)	61.3340	38.0012	22.1622	24.3147
British Virgin Is	(US $)	1.6140	1	0.5831	0.6398
Brunei	(Brunei $)	3.0392	1.8830	1.0981	1.2048
Bulgaria	(Lev)	1.3565	0.8404	0.4902	0.5377
Burkina Faso	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Burma	(Kyat)	10.7780	6.6778	3.8944	4.2727
Burundi	(Burundi Fr)	286.45	177.4783	103.5049	113.5579
Cambodia	(Riel)	351.416u	149.9115	126.9795	139.3125
Cameroon	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Canada	(Canadian $)	1.8980	1.1759	0.6858	0.7524
Canary Is	(Sp Peseta)	176.60	109.4175	63.8121	70.0099
Cp. Verde	(CV Escudo)	116.5155	72.1905	42.1013	46.1904
Cayman Is	(CI $)	1.3380u	0.8285	0.4834	0.5304
Cent.Afr. Rep	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Chad	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Chile	(Chilean Peso)	477.33	295.7434	172.4769	189.2289
China	(Renminbi Yuan)	7.6770	4.7565	2.7739	3.0434
Colombia	(Col Peso)	749.40	464.3122	270.7859	297.0862
Comoros	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Congo (Brazz)	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Costa Rica	(Colon)	138.2290	85.6437	49.9472	54.7984
Côte d'Ivoire	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Cuba	(Cuban Peso)	1.2844	0.7957	0.4641	0.5092
Cyprus	(Cyprus £)	[illegible]	[illegible]	[illegible]	[illegible]
Czechoslovakia	(Koruna)	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	(Danish Krone)	[illegible]	[illegible]	[illegible]	[illegible]
Djibouti Rep	(Djib Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Dominica	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
Dominican Rep	(D Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Ecuador	(Sucre)	[illegible]	[illegible]	[illegible]	[illegible]
Egypt	(Egyptian £)	[illegible]	[illegible]	[illegible]	[illegible]
El Salvador	(Colon)	[illegible]	[illegible]	[illegible]	[illegible]
Equatorial Guinea	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Ethiopia	(Ethiopian Birr)	[illegible]	[illegible]	[illegible]	[illegible]
Falkland Is	(Falk £)	[illegible]	[illegible]	[illegible]	[illegible]
Faroe Is	(Danish Krone)	[illegible]	[illegible]	[illegible]	[illegible]
Fiji Is	(Fiji $)	[illegible]	[illegible]	[illegible]	[illegible]
Finland	(Markka)	[illegible]	[illegible]	[illegible]	[illegible]
France	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Cty/Africa	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Guiana	(Local Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Pacific Is	(CFP Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Gabon	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Gambia	(Dalasi)	[illegible]	[illegible]	[illegible]	[illegible]
Germany East	(Ostmark)	[illegible]	[illegible]	[illegible]	[illegible]
Germany West	(D Mark)	[illegible]	[illegible]	[illegible]	[illegible]
Ghana	(Cedi)	[illegible]	[illegible]	[illegible]	[illegible]
Gibraltar	(£)	[illegible]	[illegible]	[illegible]	[illegible]
Greece	(Drachma)	[illegible]	[illegible]	[illegible]	[illegible]
Greenland	(Danish Krone)	[illegible]	[illegible]	[illegible]	[illegible]
Grenada	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
Guadaloupe	(Local Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Guam	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Guatemala	(Quetzal)	[illegible]	[illegible]	[illegible]	[illegible]
Guinea	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Guinea-Bissau	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Guyana	(Guyanese $)	[illegible]	[illegible]	[illegible]	[illegible]
Haiti	(Gourde)	[illegible]	[illegible]	[illegible]	[illegible]
Honduras	(Lempira)	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	(HK $)	[illegible]	[illegible]	[illegible]	[illegible]
Hungary	(Forint)	[illegible]	[illegible]	[illegible]	[illegible]
Iceland	(Icelandic Krona)	[illegible]	[illegible]	[illegible]	[illegible]
India	(Indian Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Indonesia	(Rupiah)	2918.48	1808.2280	1054.5546	1156.9791
Iran	(Rial)	114.00	70.6319	41.1924	45.1932
Iraq	(Iraqi Dinar)	0.4978	0.3084	0.1798	0.1973
Irish Rep	(Punt)	1.0350	0.6412	0.3739	0.4103
Israel	(Shekel)	3.2350	2.0043	1.1689	1.2824
Italy	(Lira)	2035.25	1260.9975	735.4110	806.8384
Jamaica	(Jamaican $)	11.1008	6.8778	4.0111	4.4007
Japan	(Yen)	252.25	156.2887	91.1472	100
Jordan	(Jordanian Dinar)	1.0763	0.6668	0.3889	0.4266
Kenya	(Kenya Shilling)	36.30	22.4907	13.1165	14.3904
Kiribati	(Australian $)	2.1610	1.3389	0.7808	0.8566
Korea North	(Won)	1.5636	0.9687	0.5649	0.6198
Korea South	(Won)	1116.75	691.9144	403.5230	442.7155
Kuwait	(Kuwaiti Dinar)	0.4750	0.2942	0.1716	0.1883
Laos	(New Kip)	1160.65	719.1140	419.3857	460.1189
Lebanon	(Lebanese £)	902.88	559.4052	326.2439	357.9306
Lesotho	(Maluti)	4.2825	2.6533	1.5474	1.6977
Liberia	(Liberian $)	1.6140	1	0.5831	0.6398
Libya	(Libyan Dinar)	0.4772	0.2956	0.1724	0.1891
Liechenstein	(Swiss Fr)	2.4675	1.5288	0.8915	0.9781
Luxembourg	(Lux Fr)	57.40	35.5638	20.7407	22.7552
Macao	(Pataca)	13.0085	8.0597	4.7004	5.1569
Madeira	(Port Escudo)	244.00	151.1771	88.1662	96.7294
Malagasy Rep	(MG Fr)	2095.00	1298.0173	757	830.5252
Malawi	(Kwacha)	4.6290	2.8680	1.6726	1.8350
Malaysia	(Ringgit)	4.4020	2.7273	1.5906	1.7450
Maldive Is	(Rufiya)	15.1495	9.3863	5.4740	6.0057
Mali Rep	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Malta	(Maltese £)	0.5415	0.3355	0.1956	0.2146
Martinique	(Local Fr)	9.3175	5.7729	3.3667	3.6937
Mauritania	(Ouguiya)	134.6825	83.4464	48.6657	53.3924
Mauritius	(Maur Rupee)	24.0362	14.8923	8.6851	9.5287
Mexico	(Mexican Peso)	4471.75a	2770.6009	1615.8084	1772.7452
		4386.25d	2717.6270	1584.9141	1738.8503
Miquelon	(Local Fr)	9.3175	5.7729	3.3667	3.6937
Monaco	(French Fr)	9.3175	5.7729	3.3667	3.6937
Mongolia	(Tugrik)	5.0490u	3.3495	1.8243	2.0015
Montserrat	(E Carr $)	4.3525	2.6967	1.5727	1.7254
Morocco	(Dirham)	12.9323	8.0125	4.6729	5.1267
Mozambique	(Metical)	1456.50	902.4163	526.2872	577.4033
Namibia	(S A Rand)	4.2825	2.6533	1.5474	1.6977
Nauru Is	(Australian $)	2.1610	1.3389	0.7808	0.8566
Nepal	(Nepalese Rupee)	45.7808	28.3648	16.5422	18.1489
Netherlands	(Guilder)	3.1150	1.9299	1.1255	1.2348
N'nd Antilles	(A/Guilder)	2.8855u	1.7868	1.0426	1.1439
New Zealand	(NZ $)	2.7800	1.7224	1.0045	1.1020
Nicaragua	(Cordoba)	64637.05	40047.7385	23355.7542	25624.2021
Niger Rep	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Nigeria	(Naira)	12.6550	7.8407	4.5727	5.0168
Norway	(Nor. Krone)	10.6775	6.6155	3.8581	4.2329
Oman	(Rial Omani)	0.6210	0.3847	0.2243	0.2461
Pakistan	(Pak. Rupee)	34.05	21.0966	12.3035	13.4985
Panama	(Balboa)	1.6140	1	0.5831	0.6398
Papua New Guinea	(Kina)	1.5843	0.9815	0.5724	0.6280
Paraguay	(Guarani)	1964.45	1217.1313	709.8283	778.7710
Peru	(Intl)	20660.85	12801.0223	7465.5284	8190.6243
Philippines	(Peso)	35.05	21.7162	12.6648	13.8949
Pitcairn Is	(£ Sterling)	1.00	0.6195	0.3613	0.3964
	(NZ $)	2.7800	1.7224	1.0045	1.1020
Poland	(Zloty)	15310.00	9485.7496	5532.0686	6069.3756
Portugal	(Escudo)	244.00	151.1771	88.1662	96.7294
Puerto Rico	(US $)	1.6140	1	0.5831	0.6398
Qatar	(Riyal)	5.8695	3.6366	2.1208	2.3268
Reunion Is. de la	(F/Fr)	9.3175	5.7729	3.3667	3.6937
Romania	(Leu)	34.481	21.3630	12.4588	13.6689
Rwanda	(Fr)	126.00	78.0669	45.5284	49.9504
St Christopher	(E Carr $)	4.3525	2.6967	1.5727	1.7254
St Helena	(£)	1.00	0.6195	0.3613	0.3964
St Lucia	(E Carr $)	4.3525	2.6967	1.5727	1.7254
St Pierre	(French Fr)	9.3175	5.7729	3.3667	3.6937
St Vincent	(E Carr $)	4.3525	2.6967	1.5727	1.7254
San Marino	(Italian Lira)	2035.25	1260.9975	735.4110	806.8384
Sao Tome	(Dobra)	171.9111	106.5124	62.1178	68.1510
Saudi Arabia	(Riyal)	6.0497	3.7482	2.1859	2.3982
Senegal	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Seychelles	(Rupee)	8.80	5.4522	3.1797	3.4886
Sierra Leone	(Leone)	189.60	117.4721	68.5094	75.1635
Singapore	($)	3.0392	1.8830	1.0981	1.2048
Solomon Is	($)	4.0471	2.5074	1.4623	1.6044
Somali Rep	(Shilling)	660.92	409.4919	238.8148	262.0099
South Africa	(Rand)	4.2825c	2.6533	1.5474	1.6977
		6.2082g	3.8464	2.2432	2.4611
Spain	(Peseta)	176.60	109.4175	63.8121	70.0099
Spanish Ports in N Africa	(Sp Peseta)	176.60	109.4175	63.8121	70.0099
Sri Lanka	(Rupee)	63.85	39.5600	23.0713	25.3121
Sudan Rep	(£)	18.4575	11.4358	6.6693	7.3171
Surinam	(Guilder)	2.8775	1.7828	1.0397	1.1407
Swaziland	(Lilangeni)	4.2825	2.6533	1.5474	1.6977
Sweden	(Krona)	9.9700	6.1771	3.6025	3.9524
Switzerland	(Fr)	2.4675	1.5288	0.8915	0.9781
Syria	(£)	33.8520u	20.9628	12.2319	13.4200
Taiwan	($)	42.65	26.4250	15.4110	16.9078
Tanzania	(Shilling)	309.90	192.0074	111.9783	122.8543
Thailand	(Baht)	41.45	25.6815	14.9774	16.4321
Togo Rep	(CFA Fr)	465.88	288.6493	168.3396	184.6897
Tonga Is	(Pa Anga)	2.1610	1.3389	0.7808	0.8566
Trinidad/Tobago	($)	6.8510	4.2447	2.4755	2.7159
Tunisia	(Dinar)	1.4652	0.9078	0.5294	0.5808
Turkey	(Lira)	3952.08	2448.6245	1428.0325	1566.7314
Turks & Caicos	(US $)	1.6140	1	0.5831	0.6398
Tuvalu	(Australian $)	2.1610	1.3389	0.7808	0.8566
Uganda	(New Shilling)	609.1975	377.4457	220.1255	241.5054
U A E	(Dirham)	5.9240	3.6703	2.1405	2.3484
United Kingdom	(£)	1.00	0.6195	0.3613	0.3964
United States	(US $)	1.6140	1	0.5831	0.6398
Uruguay	(Peso)	1515.07	938.7050	547.4507	600.6223
USSR	(Rouble)	0.9800	0.6071	0.3541	0.3885
Vanuatu	(Vatu)	189.50	117.4101	68.4733	75.1238
Vatican	(Lira)	2035.25	1260.9975	735.4110	806.8384
Venezuela	(Bolivar)	69.7850	43.2372	25.2158	27.6650
Vietnam	(Dong)	7254.00	4494.4237	2621.1382	2875.7185
Virgin Is-British	(US $)	1.6140	1	0.5831	0.6398
Virgin Is-US	(US $)	1.6140	1	0.5831	0.6398
Western Samoa	(Tala)	3.6915	2.2871	1.3338	1.4634
Yemen	(Rial)	15.6965	9.7252	5.6717	6.2225
Yemen PDR	(Dinar)	0.5529u	0.3393	0.1997	0.2191
Yugoslavia	(Dinar)	19.0545	11.8057	6.8850	7.5538
Zaire Rep	(Zaire)	823.00	509.9132	297.3803	326.2636
Zambia	(Kwacha)	62.50	38.7236	22.5835	24.7770
Zimbabwe	($)	3.8225	2.3683	1.3812	1.5153

Special Drawing Rights March 23, 1990 United Kingdom £0.808520 United States $1.29719 Germany West D Mark 2.21301 Japan Yen201.064 European Currency Unit Rates March 26, 1990 United Kingdom £0.739564 United States $1.19255 Germany West D Mark 2.04307 Japan Yen185.978

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currency fixed against the US Dollar. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, March 26, 1990. Nicaraguan Cordoba devalued by 50% against US$.

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SWEDEN

The Financial Times proposes to publish a Survey on the above on

July 4th 1990

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FINANCIAL TIMES

Household Bank f.s.b.

U.S. $100,000,000

Collateralized Floating Rate Notes due June 1996

For the three months 26th March, 1990 to 26th June, 1990 the Notes will carry an interest rate of 8.65% per annum with an interest amount of U.S. $1,105.28 per U.S. $50,000 principal amount. The relevant interest payment date will be 26th June, 1990.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London Agent Bank

COMPAGNIE BANCAIRE

Japanese Yen 3,000,000,000

Floating Rate Nikkei-Linked Redemption Notes due 1993

The interest rate for the six month period commencing 23rd March 1990 has been fixed at 7.65% per annum. The Coupon will be Japanese Yen 385,836 on Notes of Japanese Yen 10,000,000. Interest Payment date 25th September 1990.

Mitsui Finance Trust International Limited (Agent Bank)

Yen 16,000,000,000

Public Power Corporation Greece

Floating Rate Notes due 1998

For the six month period from March 27, 1990 to September 27, 1990 the Notes will carry an interest Rate of 8% per annum. The interest payable on September 27, 1990 will be Yen 408,889 per Yen 10,000,000 nominal.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

March 27, 1990

CHASE

This announcement appears as a matter of record only

UAP

SOCIETE CENTRALE UNION DES ASSURANCES DE PARIS

International Offering of 3,520,000 Shares of a Nominal Value of FF 10 each

Offering Price : FF 625 per Share

Banque Indosuez

BNP Capital Markets Limited

Banque Worms

Credit Suisse First Boston Limited

Deutsche Bank Capital Markets Limited

S.G. Warburg Securities

Lazard Frères et Cie

Paribas Capital Markets Group

Federal Republic of Germany

Deutsche Bank Capital Markets Limited

Dresdner Bank

Commerzbank

Sal. Oppenheim Jr. and Cie

Switzerland

Credit Suisse First Boston Limited

UBS Phillips & Drew Securities Limited

Swiss Bank Corporation

BFI Banque de Financement et d'Investissement S.A.

Lombard Odier International Underwriters S.A.

Pictet International Ltd.

Swiss Volksbank

United Kingdom

S.G. Warburg Securities

Paribas Capital Markets Group

Baring Brothers & Co., Limited

James Capel & Co.

Cazenove & Co.

County NatWest Limited

Kleinwort Benson Limited

N.M. Rothschild & Sons Limited

Rest of the World

Banque Indosuez

BNP Capital Markets Limited

Nomura International

Salomon Brothers International Limited

Lazard Frères et Cie

Amsterdam-Rotterdam Bank N.V.

Banque Bruxelles Lambert S.A.

Enskilda Securities

Generale Bank

Mediobanca - Banca Di Credito Finanziario S.p.A.

BANQUE INDOSUEZ

February, 1990

INTERNATIONAL CAPITAL MARKETS

Secondary market in LDC debt seen as inefficient

By Stephen Fidler, Euromarkets Correspondent

A UK-funded study into the secondary market for bank loans to less-developed countries has found little linkage between the solvency of a debtor country and the price of its loans in the secondary market.

This conclusion, which will not surprise close followers of the market, is one of several which suggest that the market is not efficiently pricing bank loans to third world countries.

This has potentially important conclusions for the international debt strategy, where official funds are being used to purchase bank loans at a discount.

The full results of the study by two professors of economics, Daniel Cohen of the University of Nancy, and Richard Portes of Birkbeck College, London, will be released over the next few months.

However, they gave some preliminary findings to a meeting organised by the Centre for Economic Policy Research.

Most developed markets in financial assets show an inverse relationship between risk and yield: the higher the perceived risk of holding an asset, the greater the return that investors will expect. According to this study, there appears to be no evidence that this relationship holds good in the market for LDC debt.

This factor alone would suggest that an efficient market – one that values loans as near as possible to the discounted present value of future payments – does not exist in third world debt.

The study has found no link between the solvency of a debtor country and the price of the loans. Solvency – measured as the percentage of exports needed to use for debt service to insure that its debt service ration will fall rather than rise over time – does not correlate at all with the price of the loans. This is again not surprising, since for many countries the transfer of resources needed to keep debt servicing current is incompatible with future growth.

Neither have the researchers found a strong link between the prices of most country's main exports and the price of that country's loans. The Mexico price is not correlated to the price of oil, although Ecuador's is significantly related.

The only large debtor country where there is a strong relationship between the price of its commodities and the price of its debt is Brazil. Neither has the research established a link between the surplus on the balance of trade and the price of debt.

However, there is a strong link with the prices of other countries' loans and therefore with the average market price for these loans. This suggests what Prof Portes calls a strong contamination effect, and that it is thought likely if Brazil defaults on its debt then the chances rise significantly that Mexico will also default.

There is also a negative correlation between the price of the loans and interbank interest rates, above which the loans are priced. In other words, when US interest rates go up, the price of these loans falls.

W German securities to be sold via auction

By Katharine Campbell in Frankfurt

THE West German Government will abandon the traditional distribution consortium in its next debt issue, and sell new securities to banks and brokers via an auction. Instead of paying a fixed-rate yield, the paper will be priced on a short-term floating-rate basis.

When the Bundesbahn for the first time successfully employed a similar structure to raise DM2bn at the beginning of the month, bankers correctly foresaw the move as paving the way for an experiment by the federal government itself.

The issue – scheduled for the beginning of next month – will raise at least DM5bn and run for the usual 10-year period being callable by the bund from April 1995.

It is to be priced at 99.95 per cent, and fixed quarterly in relation to the three-month D-Mark deposit rate in Frankfurt (Fibor).

Bids are therefore made on the coupon price, in the so-called Dutch style. Frankfurt dealers were yesterday estimating the coupon could be between 15 and 20 basis points below Fibor. The interbank offered rate in Frankfurt yesterday stood at 8.4 per cent.

An important attraction to investors is that, as in the case of the Bundesbahn floater, the securities are free of turnover tax.

Both domestic and international potential buyers greeted the novelty with enthusiasm, though bankers in London cautioned that Fibor and Libor, the London fixing, could vary as much as 30 basis points at times.

Meanwhile, the Bundesbank has for some while been publicly advocating reform of the domestic debt markets, bringing the techniques more into line with international practice.

Now it has become apparent that the Government's funding needs will rise sharply to accommodate the massive costs of East German reconstruction, further necessitating a modern functioning capital market.

Gold price slide boosts Treasuries

By Janet Bush in New York and Andrew Freeman in London

US TREASURY bonds moved modestly higher yesterday morning, reflecting the surge in the dollar against the yen and the collapse in the gold price.

In late morning trading, medium-dated issues were quoted as much as ⅜ point higher and the Treasury's benchmark long bond was quoted up ⅜ point up for a yield of 8.44 per cent.

GOVERNMENT BONDS

The dollar was quoted at Y156.50 from an earlier low in New York of Y155.50.

The yen came under pressure in spite of a sharp rebound in the Japanese stock market due to sentiment that the results of the meeting on Friday between Mr Nicholas Brady, US Treasury Secretary, and Mr Ryutaro Hashimoto, Japanese Finance Minister, were thought to be too vague.

Mr Brady said after the meeting that the two would continue to "do in terms of policy co-ordination and intervention what we have done up to now."

Treasuries were also given support by a collapse in the gold market. The spot price of gold fell by about 6 per cent to close at $363.50 an ounce in Zurich, amid rumours of selling from the Middle East and the Soviet Union. In New York, gold rebounded somewhat to around $366 an ounce in late morning trading.

There was no significant economic data yesterday but the bond market was cautious ahead of today's Federal Open Market Committee meeting.

The committee will be reviewing its stance on monetary policy amid widespread disagreement over whether the chances are stronger for an easing or tightening of policy.

Another focus this week is the auction of two-year and four-year Treasury notes today and tomorrow respectively.

■ EUROPEAN government bond markets enjoyed a steady session yesterday as trading consolidated around recent levels. Volatility declined, but turnover remained thin.

In Germany, a weak opening was followed by a rally towards the morning's price fixings, before the lack of genuine buying and the completion of extensive short covering exposed a downward trend.

The benchmark 7¾ per cent bund maturing 2000 was fixed at 95.45 to yield 8.44 per cent, around 17 pfennigs above Friday's fixing. Later in the session, the price retreated to around 95.20.

Other issues peaked at the fixings and were then marked down, most ending around 10 pfennigs lower on the day in spite of the positive impact of the new Federal floating-rate note issue due for auction on 2 April.

The June bund futures contract traded in a narrower range than has recently been typical, opening around 83.20 and peaking at 83.95 before settling at 83.60 in modest turnover of around 38,000 contracts.

■ UK government bonds were lifted by the unexpected resilience of sterling on the foreign exchange markets, as well as by the on-going bear squeeze.

With little domestic economic news due in the next fortnight, political and international factors will dominate sentiment.

The market appeared to pay little attention, however, to the Government's domestic problems. Long-dated gilts had a temporary respite and were marked a full point higher, with shorter-dated stocks up around ½ point.

The benchmark 11¾ per cent gilt maturing 2003-07 was trading at slightly more than 1 point higher at 98⅞ to yield 11.92 per cent.

Most of the gain occurred early in the session as some investors switched further down the maturity curve, but later trading was subdued.

■ IN France, an anticipated cut in bank rates failed to materialise and the market was described by traders as vulnerable.

Most OATs were around 20 centimes better on the day. The 8½ per cent OAT was trading at 90.40 to yield 9.74 per cent.

Analysts pointed out that yields have dropped from 10 per cent to around 9.7 per cent in the last two weeks, leaving plenty of downside.

■ IN Japan, JGBs moved lower after the strong rally in London last Friday. The No. 119 issue was yielding 7.13 per cent at the opening and closed at 7.18 per cent.

Trading remained volatile and dealers said there would be strong selling pressure if sentiment turns for the worse.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-24	+14/32	13.39	13.41	12.59
		10.500	5/99	89-17	+32/32	12.43	12.37	11.56
		9.000	10/08	81-24	+30/32	11.38	11.27	10.83
US TREASURY *		8.500	02/00	100-08	+12/32	8.47	8.59	8.55
		8.500	02/20	100-21	+14/32	8.44	8.57	8.58
JAPAN	No 119	4.800	6/99	88.8511	-0.679	7.17	7.25	6.90
	No 2	5.700	3/07	89.6327	-0.981	7.04	7.10	6.45
GERMANY		7.125	12/99	91.2000	+0.300	8.48	8.80	8.71
FRANCE	STAN	9.000	02/95	94.9665	+0.144	10.34	10.60	10.63
	OAT	8.500	03/00	92.5200	+0.220	9.70	10.00	10.06
CANADA *		9.250	12/99	90.8000	+0.200	10.80	11.00	10.51
NETHERLANDS		7.750	01/00	93.4900	+0.150	8.75	9.12	8.94
AUSTRALIA		12.000	7/99	92.6989	+0.298	13.38	13.39	13.28

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Bankers Trust credit rating downgraded

By Andrew Freeman

THE credit rating of Bankers Trust, the New York-based commercial bank which over the last 10 years has developed a strong international investment banking business, has been downgraded by Standard & Poor's, the credit rating agency.

S&P cited concern over the relatively high lending risks taken by the bank and said a cyclical decline in merchant banking would lead to lower earnings.

Senior debt was downgraded to AA from AA+, while subordinated was rated AA-, down from AA. Some $2.9bn of debt is affected.

Bankers Trust has been heavily involved in the market for leveraged corporate restructurings and the agency said its loan book was vulnerable to a downturn.

Uncertain future for Merrill Canada's chief

By Bernard Simon in Toronto

A LONG period of upheaval at Merrill Lynch's Canadian subsidiary has culminated in an uncertain future for the firm's chief executive.

Mr Michael Sanderson, an American who has been chairman and chief executive of the Canadian operation since 1984, has returned to New York where his current status is unclear. Merrill in New York said yesterday that Mr Sanderson, 47, remains chairman of the Canadian unit for the time being while he pursues "possibilities within Merrill Lynch and outside Merrill Lynch."

However, Mr Donald Wright, Merrill Canada's president and chief operating officer, in London on business, said that Mr Sanderson "has resigned from the position of chairman." Mr Wright said he does not expect Mr Sanderson to be replaced in the near future.

Mr Sanderson, an Oxford graduate who became one of the most prominent members of the Toronto securities industry during his five years in Canada, has spent his entire professional career with Merrill. He declined to comment on his future plans.

While Merrill expanded strongly during the first few years after Mr Sanderson's arrival in Canada, the firm has recently suffered both from the general downturn in the securities business and from turmoil within its own ranks.

The workforce of the Canadian unit has shrunk in little more than a year from more than 1,100 to 350.

Mr Wright, who besides his new post in Toronto retains responsibility for Merrill's London-based non-US dollar debt business, said Merrill Canada will concentrate on fixed-income, equities and investment banking business.

Interest rate doubts check new-issue flow

By Norma Cohen

INTERNATIONAL BONDS

UNCERTAINTY about the direction of worldwide interest rates has reached such a pitch that yesterday, not a single issuer ventured into the Eurobond markets. The absence of deals – even small targeted deals – is virtually unheard of except at Christmas.

Furthermore, the inverted yield curve now present among most government bond markets is inducing investors to hold funds in cash. There is little reason to venture further along the maturity range when the best yields can be found in investments shorter than one year. While government bond markets in various currencies saw improvements, price movements have not convinced investors that rates have peaked or issuers that they have not.

In West Germany, where the outlook for interest rates and inflation has been particularly uncertain, prices firmed in light trading with activity confined to professionals.

Friday's DM500m 8¾ per cent 10-year Eurobond for the World Bank, the first fixed-rate supranational issue in that currency since early January, has met good demand. The issue's size has made it a likely benchmark for the maturity, a feature deemed sufficient to overcome an initial market assessment of somewhat tight pricing. The issue closed near the day's high at 99.50, comfortably above Friday's close and well inside its full fees of 1⅞ per cent. At a discount equal to full fees, the bonds are yielding 8.83 per cent.

Also issued on Friday was a DM500 10-year floating-rate note for Kansallis-Osake-Pankki paying interest equal to six-month Libor. The floating-rate sector of the D-Mark market drifted lower yesterday with the West German Government's launch of its own first-ever floating-rate note. KOP's issue closed yesterday at 99.80 bid, just outside combined underwriting and listing fees.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

● The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Mar 26 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Mar 23 Index No.	Thu Mar 22 Index No.	Wed Mar 21 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (202)	868.53	-	13.34	5.14	9.14	9.07	868.72	859.33	860.25	943.73
2 Building Materials (27)	1066.24	+0.5	14.79	5.34	8.43	3.29	1060.60	1048.02	1042.99	1192.53
3 Contracting, Construction (37)	1416.93	-	17.33	5.67	7.54	13.63	1416.20	1411.68	1410.05	1766.08
4 Electricals (10)	2494.16	+0.5	11.25	5.29	10.98	1.41	2482.85	2457.74	2471.74	2764.18
5 Electronics (29)	1852.39	+0.9	9.78	4.00	13.26	16.80	1836.31	1816.78	1819.13	2097.11
6 Engineering-Aerospace (8)	439.84	-0.3	15.22	5.25	8.08	7.69	441.08	435.88	433.59	0.00
7 Engineering-General (44)	465.28	-0.1	12.16	5.39	9.93	5.16	464.68	461.85	461.10	0.00
8 Metals and Metal Forming (6)	496.99	-	23.68	6.27	4.76	0.53	497.20	491.16	492.15	536.20
9 Motors (16)	355.84	-0.1	14.16	6.25	8.36	5.74	356.07	354.37	355.32	308.69
10 Other Industrial Materials (25)	1588.69	-1.1	11.27	5.00	10.34	27.90	1607.14	1581.84	1593.02	1585.94
21 CONSUMER GROUP (176)	1237.60	+0.5	9.51	3.95	13.13	6.08	1231.60	1221.96	1215.60	1161.57
22 Brewers and Distillers (22)	1460.50	+0.6	9.93	3.77	12.43	6.57	1451.74	1434.56	1412.98	1268.41
25 Food Manufacturing (20)	1066.95	+0.2	10.43	4.41	11.91	8.09	1065.18	1064.58	1059.87	1018.85
26 Food Retailing (16)	2268.55	+0.7	8.93	3.35	14.54	7.38	2252.89	2241.60	2215.01	1975.43
27 Health and Household (13)	2559.70	+0.7	7.07	2.71	16.90	14.72	2542.13	2507.11	2518.05	2134.61
29 Leisure (31)	1444.78	+0.1	9.81	4.22	12.99	6.76	1445.83	1444.11	1436.92	1464.86
31 Packaging & Paper (13)	566.53	+0.8	12.40	5.53	10.18	2.66	562.13	559.13	560.54	583.28
32 Publishing & Printing (16)	3235.91	+0.4	9.93	5.42	12.87	23.01	3224.42	3195.84	3180.78	3652.71
34 Stores (33)	758.38	+0.7	11.44	4.93	11.37	1.82	752.96	747.84	744.13	763.60
35 Textiles (12)	496.90	-0.8	13.12	7.05	9.60	0.59	500.75	496.30	498.34	513.33
40 OTHER GROUPS (104)	1169.92	+0.4	10.67	4.84	11.21	7.00	1165.24	1153.90	1150.15	1057.52
41 Agencies (17)	1574.84	+0.1	5.72	2.44	21.54	12.19	1573.36	1567.80	1574.33	1238.62
42 Chemicals (23)	1238.72	+0.4	11.80	5.32	9.87	22.72	1234.06	1222.32	1217.53	1213.07
43 Conglomerates (13)	1625.26	+0.9	10.01	6.03	11.76	5.78	1610.14	1585.88	1586.11	1493.38
44 Transport (13)	2267.52	+1.1	10.79	4.26	11.79	6.69	2242.87	2224.40	2235.37	2339.99
46 Telephone Networks (2)	1194.86	+0.8	10.63	4.29	12.24	0.00	1184.98	1168.96	1172.30	1101.45
47 Water (10)	1964.96	-1.1	17.73	6.89	6.24	0.00	1986.44	1965.69	1957.93	0.00
48 Miscellaneous (26)	1857.78	-0.4	9.80	4.45	11.52	18.00	1865.90	1861.84	1864.68	1473.25
49 INDUSTRIAL GROUP (482)	1138.24	+0.3	10.83	4.53	11.30	7.53	1134.45	1124.04	1120.63	1097.94
51 Oil & Gas (18)	2359.91	+0.7	10.42	5.10	12.66	35.47	2344.36	2324.32	2319.97	1987.04
59 500 SHARE INDEX (500)	1239.80	+0.4	10.77	4.61	11.48	9.71	1235.09	1223.87	1220.36	1173.30
61 FINANCIAL GROUP (113)	805.50	+0.9	-	5.53	-	12.54	798.57	791.13	787.14	748.49
62 Banks (9)	889.27	+1.4	18.92	6.01	6.91	24.14	876.66	865.31	866.50	729.12
65 Insurance (Life) (7)	1302.99	+0.4	-	5.78	-	11.81	1297.53	1291.52	1281.47	1121.53
66 Insurance (Composite) (7)	666.57	+1.6	-	5.96	-	7.72	656.16	645.62	641.52	596.37
67 Insurance (Brokers) (6)	1018.30	-1.0	7.29	6.20	18.21	16.73	1028.18	1016.19	1017.49	969.77
68 Merchant Banks (8)	455.29	-0.9	-	4.17	-	4.27	459.34	459.26	461.93	331.84
69 Property (49)	1090.05	+0.2	8.33	4.00	15.19	1.86	1087.45	1085.20	1063.94	1329.34
70 Other Financial (27)	320.69	+0.1	13.82	6.89	9.54	2.89	320.39	319.22	318.24	373.82
71 Investment Trusts (68)	1174.79	+0.7	-	3.22	-	8.65	1166.61	1161.07	1165.93	1081.26
81 Overseas Traders (5)	1409.70	+0.2	9.17	6.49	13.15	31.27	1407.33	1390.55	1381.31	1394.35
99 ALL-SHARE INDEX (686)	1134.34	+0.5	-	4.72	-	10.30	1129.11	1118.90	1115.60	1068.68

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Year ago
FT-SE 100 SHARE INDEX♦	2298.2	+14.3	2306.9	2286.3	2283.9	2258.9	2250.3	2259.7	2238.0	2057.0

♦Opening index 2286.4; 9 am 2298.4; 10 am 2297.3; 11 am 2299.9; Noon 2306.7; 1 pm 2306.4; 2 pm 2306.1; 3 pm 2304.3; 4 pm 2299.7; 4.10 pm 2298.4; (a) 11.43am (b) 8.31am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. CONSTITUENT CHANGE: GPG (70) has been deleted.

FIXED INTEREST

PRICE INDICES	Mon Mar 26	Day's change %	Fri Mar 23	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	112.71	+0.29	112.39	-	3.41
2 5-15 years	118.00	+0.95	116.98	0.09	2.79
3 Over 15 years	120.38	+1.33	118.80	-	4.16
4 Irredeemables	138.71	+0.98	137.36	-	1.51
5 All stocks	118.10	+0.77	117.24	0.04	3.23
Index-Linked					
6 Up to 5 years	140.79	+0.24	140.45	-	0.94
7 Over 5 years	132.40	+0.49	131.75	-	1.05
8 All stocks	132.92	+0.47	132.29	-	1.04
9 Debentures & Loans	95.76	+1.45	94.75	0.37	2.72
10 Preference	75.06	-0.12	75.58	0.44	1.92

AVERAGE GROSS REDEMPTION YIELDS		Mon Mar 26	Fri Mar 23	Year ago (approx.)
British Government				
1 Low Coupons	5 years	11.69	11.81	9.43
2	15 years	11.31	11.44	9.01
3	25 years	11.19	11.34	8.85
4 Medium Coupons	5 years	12.90	13.06	10.43
5	15 years	11.73	11.91	9.48
6	25 years	11.38	11.55	9.13
7 High Coupons	5 years	13.02	13.16	10.55
8	15 years	12.04	12.20	9.70
9	25 years	11.56	11.71	9.23
10 Irredeemables		11.23	11.35	8.80
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	4.61	4.69	3.49
12 Inflation rate 5%	Over 5yrs	4.14	4.17	3.50
13 Inflation rate 10%	Up to 5yrs	3.60	3.68	2.56
14 Inflation rate 10%	Over 5yrs	3.95	3.99	3.32
15 Debs & Loans	5 years	15.78	15.98	12.14
16	15 years	14.34	14.42	11.40
17	25 years	13.57	13.70	10.80
18 Preference		12.28	12.20	10.05

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	94	0	2
Corporations, Dominion and Foreign Bonds	8	1	17
Industrials	481	295	815
Financial and Properties	229	125	354
Oils	22	34	35
Plantations	1	0	6
Mines	12	91	35
Others	52	107	105
Totals	899	653	1,390

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTIONS

● First Dealings March 19
● Last Dealings March 30
● Last Declarations June 21
● For settlement July 2

For rate indications see end of London Share Service

Calls in Amstrad, Perkins Food, Royal Bank of Scot. warrants, Broadwell Land, Ferranti, TSB, Monks & Crane, Next, Rutland Trust, Burton, Atlantic Res., Oliver Res. and Bridgend. Put and call Atlantic Res.

THE COMPUTER MARKETPLACE
Will appear every THURSDAY
For all information telephone
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01 873 3503 or
01 407 5755. Fx 01 873 3079

UK COMPANY NEWS

Changed focus as Brent Chemicals rises to £12.9m

By Jane Fuller

BRENT Chemicals International increased pre-tax profits by 15 per cent from £11.2m to £12.9m in 1989 as the group continued to refocus its activities.

In the past four months it has sold off its UK automotive body treatment business and its food and beverage operation, leaving it to focus on industrial metal finishing, aerospace, electronics, pre-press printing and packaging inks and coatings.

These moves have helped it to build up £29m in cash, which chief executive Mr Steve Cuthbert said gave the company scope to spend £50m on acquisitions over the next couple of years. Although such a level of spending could send gearing to more than 80 per cent through goodwill write-offs, interest would be covered more than eight times.

The taxable profit, which included £302,000 (£7,000 payable) of interest received, came on sales up 11 per cent at £87.4m (£79m). Earnings per share, however, only advanced to 13.1p (12.8p) because of an increasing tax rate and a preference share dividend.

The industrial, aerospace and electronics wing contributed more than 60 per cent of sales. A strong growth factor was buoyant demand from airlines and aerospace manufacturers.

Industrial metal finishing, which involves the treatment of such articles as white goods and office furniture before painting, had 60 per cent of turnover in the UK, whereas overall group sales are 60:40 in favour of overseas markets, said Mr Cuthbert. Growth was expected to come mostly from continental Europe.

In electronics, there had been a slowing of demand for chemicals for making printed circuit boards in the US, a market which had recently started to pick up.

Vulnerability to UK retailing had held up progress in printing and packaging, despite a good performance in West Germany and Switzerland. Mr Cuthbert said investments in computerised equipment should bear fruit this year.

In terms of geographic spread, the company wanted to move, over the next four years, from a breakdown of UK 39 per cent, continental Europe 36 per cent, North America 22 per cent, Asia 3 per cent, to a position where the first three were roughly equal at 31 or 32 per cent.

A final dividend of 5.4p makes a total of 6.8p (6p).

The share price gained 4p to 144p.

● COMMENT

After changing its formula for success, Brent is in a position to accelerate earnings growth after a period of disappointment. Having sloughed off businesses that served brewing, dairies and the car industry, it is left in markets with higher growth potential – the civil aircraft market is an obvious example. There is, however, a caveat over operations vulnerable to difficult UK trading conditions, such as metal finishing and packaging. The management's mettle will also be tested by the way it spends its money. Its approach involves doing a lot of homework to find privately-owned niche businesses, say on the Continent, which will add momentum to the overdue earnings improvement. A current year profit of £14m gives a prospective p/e of about 10, arguably on the cheap side although the rosier prospects are for 1991.

Larry Goodman lifts holding in Berisford to over 13%

By Clare Pearson

MR LARRY Goodman, the Irish agri-businessman, has been buying more shares in Berisford International, the owner of British Sugar which has been in talks about a possible merger with Tate & Lyle, the sweeteners company.

Flushing, a Goodman company, said yesterday it had raised its stake to 13.1 per cent with the purchase of 750,000 shares on Friday at 133p each.

Mr Goodman first emerged as a shareholder in the company in February last year, when it was announced he had bought a 4.9 per cent stake. His intentions towards Berisford are the subject of much market speculation.

Berisford last week confirmed it was in talks about a possible bid with Tate & Lyle.

Before yesterday, the latest announcement of a rise in Mr Goodman's shareholding had come on March 14. He then said he had bought 250,000 shares at 148p, pushing his holding to 12.67 per cent.

Berisford's share price then drifted after the company revealed it was Tate & Lyle with which it was in discussions.

The shares yesterday closed 6p higher at 140p.

Bardon at £12m for nine months

FOLLOWING a change of year-end, Bardon Group, the quarrying and building products concern with operations in the UK and the US, reported pre-tax profits of £12.09m in the nine months to December 31. In the 12 months to March 31 1989, the group made £12.32m.

Mr Peter Tom, chairman, said that in the period under review the company had seen difficult trading conditions on both sides of the Atlantic.

However, he stressed that these difficulties should be viewed as "temporary".

In the UK, high interest rates affected demand and increased raw material costs. Greater emphasis was laid on quarry and building products since certain activities – fuel distribution and plant hire – were discontinued. Excluding these activities, UK turnover in the nine months was equivalent to 85 per cent of that achieved in the previous 12-month period.

Group turnover was £98.48m in the nine months and, after tax of £3.9m, earnings worked through at 10.14p basic or 9.64p fully diluted. The final dividend is a proposed 1.9p to make a total of 2.86p for the nine months. The directors consider that this is 75 per cent of what they would have recommended for a 12-month period to March 31 1990.

Retail slump behind Panfida loss

By Jane Fuller

PANFIDA Group, which is selling off Australian and US interests to concentrate on the Martins newsagents chain, has announced a pre-tax loss of £7.1m for the six months to December 31.

Turnover for the period was £291m as opposed to £270m for the six months to March 31 1989. Comparisons are difficult because of the November 1988 merger of Panfida, the Australian group, with Investing In Success, a UK investment trust.

Mr Mark Butcher, Panfida's company secretary, said the losses were mainly due to the terrible UK retail environment in which Martins had been operating and to interest costs of £13.5m (£9.8m).

Despite the changed year end, the Martins figures were for the six months to the end of October and so excluded both Christmas and Easter. The chain was expected to break even in the second half.

To try to restore profit, there had been management changes, the establishment of central distribution and staff cuts. The Brentwood head office had been put up for sale.

Martins, in which Panfida is buying out a 47 per cent minority stake, is being refinanced through the purchase of shares by Mr Rupert Murdoch's News International. Its £10m purchase of new shares at 35p each, compared with yesterday's close of 19p, will give it a 31.3 per cent stake (non-voting over 29.9 per cent.)

Two-and-a-half years ago News International was involved, with Panfida, in buying Martins from Guinness, the drinks group. It later sold its stake to Panfida.

Mr Butcher said Panfida was continuing to sell off its Australian food businesses and had granted an option to sell its 35 per cent stake in CRI, a Sydney-based property company, for about £12m.

In the US, it plans to sell the TOC retail chain.

Panfida's debt, which had stood at £245m last June, was now down to about £200m and the TOC sale would help reduce it to £130m, said Mr Butcher.

It was 250 per cent geared before writing off £128m in goodwill on acquisitions, he added.

The sale of Munford, another US concern, for a nominal sum had generated an extraordinary gain of nearly £14m.

NEWS DIGEST

Interest rates hit Sykes-Pickavant

INCREASED interest charges of £209,000, against £63,000, resulting from higher interest rates and the financing of additional working capital left 1989 pre-tax profits at Sykes-Pickavant Group lower at £1.58m, compared with £1.78m.

Mr Paul Mindelsohn, chairman, said the continuing high rate of inflation and the Government's policy of reducing consumer demand made forecasting prospects for the present year difficult. The USM-quoted company makes and distributes automotive, industrial and DIY tools.

Turnover was £17.02m (£15.6m). The tax charge was £571,000 (£559,000) for earnings per share of 10.98p (12.68p). The board is recommending a maintained final dividend of 3.5p, making an unchanged total of 5.75p.

Loss at Oliver after I£1.43m write-off

Oliver Resources, the Republic of Ireland-based company engaged in the exploration, development and production of natural resources, fell sharply into the red in the year to October 31 1989 after an exceptional write-off of deferred exploration costs.

The company, which came to the USM in June 1989, reported taxable losses of I£1.93m (£1.86m), against profits of I£30,000 last time. The exceptional loss was I£1.43m (nil).

At the same time, Oliver is proposing a rights issue to raise a net I£5.98m.

Losses per share were 4.85p (0.15p) and there is no dividend.

Exceptional lift for Firstland Oil

An exceptional profit of £480,000 left Firstland Oil & Gas with pre-tax profits of £74,000 in 1989, against losses of £875,000 for the previous 18 months.

Turnover for the USM-quoted company was £684,000 (£1.18m) for a loss before exceptional items of £406,000 (£709,000). Earnings per share were 0.41p (losses of 5.21p).

A profit of £506,060 (£507,000 deficit) in respect of foreign exchange movements during the year was taken directly to reserves.

Computer People helped by purchases

Organic growth in the UK and acquisitions in the US helped Computer People Group, the consultancy company, increase pre-tax profits by 31 per cent from £3.23m to £4.22m in 1989.

Mr Michael Bayfield, chairman, said that early signs for the present year indicated that targets would be achieved.

In the UK consultancy, revenue rose 27 per cent but there had been an erosion of margins, action on which had since resulted in an increase to previous levels. The US side had an "excellent" year particularly from the division acquired from Sterling Software in 1988.

Turnover was £69.9m (£47m), an increase of 49 per cent. Interest charges rose to £224,000 (£37,000) and tax took £1.33m (£1.12m).

Earnings per share came out at 21.8p (17.84p) and the directors are proposing a final dividend of 4.1p making a total for the year of 5.85p (4.85p).

Wm Bedford lower at £265,000

A further decline in pre-tax profits, from £293,339 to £265,345, was reported by William Bedford, the USM-quoted antique dealer. The fall came in spite of a small increase from £2.72m to £3.04m in sales.

The directors said that the market for fine quality antiques held up strongly in terms of prices if not in volume throughout last year. But conditions in the first two months of the current year had shown a considerable deterioration with unaudited turnover showing a fall of 52 per cent on the same period last year.

The figures should not be taken as forecast for the full year, they said, but they did indicate that times were extremely difficult. Operating costs were likely to show a significant increase on last year, they added.

The proposed dividend, however, is a maintained 1p from earnings of 3.8p (4.2p).

PUBLIC WORKS LOAN BOARD RATES

Effective March 21

Years	Quota loans repaid by EPT†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPT†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			15¼			16
Over 1 up to 2	15⅛	15	14½	16⅛	16	15¼
Over 2 up to 3	14¾	14⅝	14⅛	15¾	15⅝	14⅞
Over 3 up to 4	14⅜	14⅜	13¾	15⅜	15⅜	14½
Over 4 up to 5	14¼	14⅛	13½	15¼	15⅛	14¼
Over 5 up to 6	14	13⅞	13⅜	14½	14⅜	13⅞
Over 6 up to 7	13⅞	13¾	13¼	14⅜	14¼	13¾
Over 7 up to 8	13¾	13⅝	13¼	14¼	14	13¾
Over 8 up to 9	13⅝	13½	13⅛	14⅛	14	13⅝
Over 9 up to 10	13½	13⅜	13	14	13⅞	13½
Over 10 up to 15	13¼	13	12⅜	13¾	13½	12⅞
Over 15 up to 25	12⅝	12	11¾	13⅛	12½	12¼
Over 25	11⅞	11¾	11⅝	12⅜	12¼	12⅛

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

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Profit before taxation	4,026	+40 %
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UK COMPANY NEWS

French bank may renew interest in Framlington

By Nikki Tait

THE COMPLEX and troubled situation surrounding Framlington, the UK fund management company, took a new twist yesterday.

Throgmorton Trust, Framlington's parent, announced that it was talking to Credit Commercial de France with a view to the privatised French banking group taking a stake in Framlington.

CCF said that this might be either a majority or minority holding. Throgmorton, however, insisted that it intended to be associated with Framlington for "a long time to come".

Throgmorton also tended to play down suggestions of any significant shift of boardroom control at Framlington, although it did confirm that both majority and minority holdings by CCF were under discussion.

The irony is that it was CCF's desire to sell a 28.8 per cent stake in Framlington which led to Throgmorton's £70m offer for the fund management company – best known for its unit trusts – in 1988. This was a rare hostile bid for a fund management group, and there have been problems ever since.

The fraught relationship began in 1986, when Framlington acquired Throgmorton Investment Management, the investment trust management group which ran Throgmorton Trust. Management styles subsequently clashed.

When it became clear that CCF was looking to sell its stake in Framlington, the Throgmorton camp – via one of the trusts which it managed – lobbed in a unsolicited offer.

Framlington then failed to find an alternative "white knight", and eventually recommended a marginally increased Throgmorton bid.

Yesterday, the French group maintained that its re-entry into the Framlington situation should be seen in the light of its general desire to invest in fund management expertise.

It said that there had been talks with other independent fund management groups in the past, and could well be more in the future. However, it added: "At this moment we are talking to Framlington exclusively".

It stressed that it would not get involved on anything other than an "amicable basis". It also claimed that its original stake "was sold with regret." Throgmorton refused to elaborate on the talks, or the terms which might be under consideration.

Since Throgmorton took over Framlington, there have been various departures of senior staff – including the resignation of Mr Bill Stuttaford, Framlington's chairman.

Throgmorton's 1989 annual meeting saw a barrage of questions from Mr Philip Darwin, a non-executive director at stockbrokers Laurence Prust but speaking as a private shareholder.

Mr Darwin said yesterday that he may raise further questions at the forthcoming Throgmorton annual meeting on April 3, and that he had written to "a small number of individuals, known personally to me" about the event.

He stressed, however, that he was not trying to "shake their confidence" in Framlington, or querying the way in which Framlington fund managers carried out their business.

Lancaster shares up on bid talks

By John Griffiths

LANCASTER, the vehicle retailer 60 per cent owned by Jardine Matheson, the international trading house, said last night that it is in talks with a potential bidder.

The disclosure lifted its shares from 81p to 135p, representing a market capitalisation of £23.16m, but analysts believe the total cost to a bidder would be around £30m to take account of Lancaster's debt.

There were no immediate clues as to who had made the approach.

A hostile bid – along the lines of the Saudi Arabian Jameel Group for Hartwell – was considered unlikely in the City last night, in part because of the size of Jardine's shareholding.

Lancaster's dealerships are also concentrated heavily in the specialist and premium car sectors, notably Mercedes, Porsche, Jaguar, Ferrari and BMW. Such manufacturers hold powerful sway over the operation of their franchises, making it all the more likely that any bid would be on an agreed basis.

Less than a fortnight ago Lancaster reported pre-tax profits of £3.33m, down 20 per cent on the previous year's £4.19m.

Its much-coveted range of vehicle franchises, expected to keep it relatively aloof from the discounting 'car wars' developing once more in the volume cars sector, and plans to develop on the Continent could make it particularly attractive to large, internationally-oriented motor trade players such as TKM, Lex Service or Inchcape.

However TKM, at least, must be seen as an unlikely candidate as it announced a £100m agreed bid for Western Motor Holdings little more than a week ago.

Ossory Estates accelerates 49% to £6.58m

Ossory Estates continued to make strong progress during the half year to December 31 in spite of high interest rates which adversely affected the property market.

For the half year, Ossory, an investor, developer and dealer in commercial and residential property, achieved pre-tax profits of £6.58m, an advance of 49 per cent over last time's £4.41m and a marginal improvement over the £6.53m returned for the full 1988-89 year.

Turnover expanded to £27.26m (£12.45m). The interim dividend is being raised to 0.4p (0.3p). Directors said the company was financially strong with substantial cash deposits and £85m of unutilised banking facilities.

Parkland predicts 20% fall in profits to £2m

By Clare Pearson

PARKLAND Textile (Holdings), the Bradford-based wool group, yesterday warned its pre-tax profits for the year to March 3 would be some 20 per cent lower than the market had been expecting, at between £1.9m to £2.05m.

Parkland blamed the setback on a shortfall on orders and customers not taking in contracted goods in the weaving division during the last two months of the year.

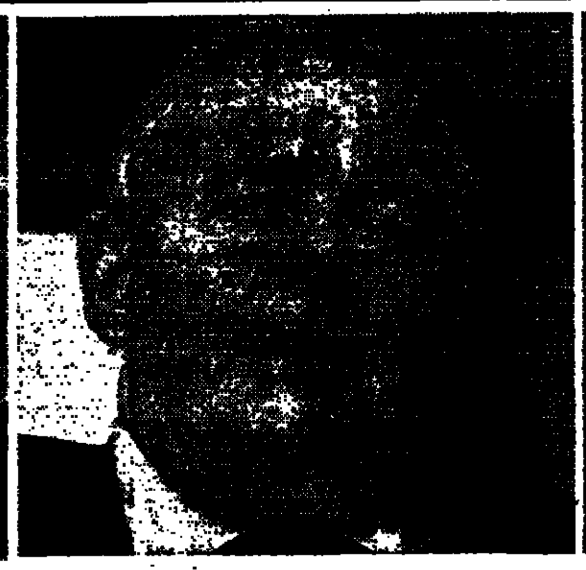
But earnings per share would be "broadly maintained" at the previous year's 24.2p due to a considerably lower tax charge.

The company added that the position at the outset of the current year was encouraging, with order books at healthy levels.

Parkland's A shares closed 18p down at 128p and the ordinary shares at 215p, down 25p, after yesterday's announcement.

In response to the fall in demand experienced by the weaving business, Parkland said it had decided to reduce working hours during January and February rather than build stock.

At the interim stage, Parkland appeared to be weathering the difficult climate in the textile industry relatively well. It lifted pre-tax profits for that period to £1.48m, an 8 per cent increase. Pre-tax profits in the last full year stood at £2.57m.


Masters in the art of unbundling – Richard Giordano of BOC (left), BAT Industries' Patrick Sheehy and Sir James Goldsmith

Differing marks for separate quotations

Nikki Tait assesses reactions to the now frequent practice of spinning off subsidiaries

ONE MILDLY disgruntled fund manager pondering a recent spate of announcements from UK companies, suggesting that various subsidiaries could be spun off as independently-quoted entities, was heard to muse: "Sometimes, I wonder why it's worth bothering with these exercises – there's often more form than substance."

This has been a swelling theme.

In the past fortnight alone, Courtaulds completed the demerger of its textile interests, BAT unveiled details of its Argos spin-off, and BOC, BTR and Beazer talked of listing subsidiaries in the US.

Moreover, this highlights a *trend already underway last* year.

MB, for example, spun off its packaging interests into the separately-listed CMB Packaging, formed in conjunction with Carnaud of France; Hanson floated a majority stake in its US-based Smith Corona typewriter business; and other large companies – like Hillsdown over its property operations – made similar noises, but saw market conditions move against them.

Nor has such activity been confined to "alpha" stocks. BBA is a good example of a medium-sized diversified industrial group, which sought a separate listing for its Australian interests last October.

Companies involved have no doubts about why they are bothering – and many cite City attitudes as part of the problem.

Very broadly, their reasons can be divided into three camps: defensive; cash-raising; and managerial/promotional.

"Defensive spin-offs" derive either from a dissatisfaction with the parent company's rating or, at the very least, a belief that the spun-off business(es) can attract a higher stockmarket multiple than that placed on the group as a whole.

Quite why the City cannot accept a correctly-weighted valuation which reflects varying growth prospects for diversified interests within a group has never been very explicable. Nevertheless, it patently happens.

Indeed, when discrepancies become serious, the company can look vulnerable to a break-up bidder.

The classic case is BAT, which included two demergers in its defensive restructuring plans announced last September.

Analysts expect both these businesses to attract historic p/e multiples *in the low teens*, while the ongoing tobacco-plus-insurance combine is reckoned to be worth a 9-10 times rating. Prior to Sir James Goldsmith's intervention, BAT shares traded on a multiple of around 8 times historic earnings.

The second motive is cash-raising.

This does not apply in pure demergers, but a flotation of a subsidiary's shares can bring in new funds.

Such thinking was cited by Beazer, the construction group, where the balance sheet has looked strained ever since its $1.8bn acquisition of Pennsylvania-based Koppers in 1987. Beazer's debts are currently about £1bn, and the idea is that part of its US operations, possibly the Koppers businesses, could seek a separate market quotation.

The rationale put forward by BOC for possibly quoting its healthcare division was more subtle.

The gases group said it encountered problems problems when making acquisitions in this field. Sellers, it said, were often highly-motivated entrepreneurs, and the only listed paper which BOC could offer them was that of a solid but unglamorous industrial group.

This argument was extended to the issue of healthcare management's rewards. BOC acknowledged the panoply of remuneration techniques, but suggested that these did not equate to having readily-marketable paper in a company directly related to the employees' business.

"Logically, it's probably correct that we could devise something that would look and smell like an equity investment," said Mr Richard Giordano, BOC's chief executive, "but psychologically it doesn't seem to work like that."

Analysts, it should be said, greeted BOC's news with some scepticism, underlining the City's suspicion that spin-offs – at least, of minority stakes – are becoming a fashionable fad. "BOC's reasons are all perfectly legitimate," commented Richard Henderson, analyst at Nomura Research, "but one wonders if they are the prime factor."

In practice, most companies admit that it is a combination of reasons which drives them to consider "spin-offs". However, the balance of the company's motives clearly affects the route taken.

The first type of "spin-off" is a full demerger, where shareholders are offered shares in the "demerged" business *pro rata* to their holdings in the main company.

This is intellectually simple, if an organisational nightmare.

At the most basic level, Mr Stephen Walls, the ex-Plessey chief executive brought in to head BAT's regrouped paper operations, started by looking for a separate head office. International companies also tend to maximise tax efficiency, so disentangling overseas subsidiaries can be a serious headache.

Nevertheless, demergers are a route which many institutions say they prefer.

"We tend to like companies which are highly focused," said one unit trust director, "because the fund manager then has the choice of what is in his portfolio. With that in mind, a straight issue of shares to existing investors seems logical."

The obvious snags are that a pure demerger raises no new money, and that the newly-independent vehicle can be vulnerable to takeover – witness the fate of Fleet Holdings, the Express Newspapers business, when it was spun out of Trafalgar House in the early 1980s, or the speculation which already surrounds BAT's Argos subsidiary.

Seeking a quote for a majority of a subsidiary's shares is a fairly uncommon move. This is scarcely *surprisingly*, given that most companies, if they are willing to give up control, reckon that a trade buyer will pay a premium for this.

One of the exceptions was Hanson, which took this step with Smith Corona, acquired through its SCM acquisition in 1986.

At the time, the conglomerate talked about "enhancing shareholder value", and today, Mr Martin Taylor, deputy chairman, repeats that Hanson felt it could "do better for shareholders by following this route".

He denies that trade buyers were not available at the time of the flotation last summer; indeed, Hanson was "not looking".

Nevertheless, investors' subsequent experience may serve as a cautionary lesson.

The price at which shares were sold to US investors had to be cut from $23-$25 to $21. Since then, they have fallen to around $18 on the back of soft demand, inventory writedowns and reduced earnings.

The experience has been sufficiently painful for some Smith Corona shareholders to file suits, alleging that the company misrepresented its financial condition when it came to the market.

However, it is the flotation of minority stakes which generates most debate – the question being whether such exercises are really more than window-dressing, deflecting management from taking more meaningful steps.

Some companies, having ploughed down this path, are enthusiastic.

BBA, for example, claims that the separate flotation of Pacific BBA has been a broadly happy experience.

The company originally mooted the idea because of local regulations, but, when these were relaxed, decided to go ahead anyway.

The company argues that having an alternative funding source is attractive, and that management benefits have already surfaced. "I'm sure that running a quoted company has a certain stimulus of its own," commented Mr Peter Clappison, BBA's finance director.

The only downside, he suggested, was administrative: "It's a minor irritant, making sure that timetables don't clash, and so on."

Some institutions are less convinced. "I think there's a general wariness in case companies get carried away with cosmetic exercises," remarked one senior fund manager.

"If the company can realise underlying asset value via a sale, why float the shares at what is probably less than asset value?"

Perhaps at the end of the day, general lessons on spin-offs are difficult to draw.

Most institutions offer the caveat that each case should be judged on its merits, and even the most hardened fund managers concede that there can be benefits all round.

No one, for example, has much complaint about the current BAT exercise – although the ultimate result is still difficult to assess, given share buy-backs and bid speculation. Equally, the Courtaulds demerger is cited as one with "genuine" industrial rationale.

And perhaps that is the real message. As one institution puts it, spin-offs are most welcome when driven by industrial considerations, not by investment bankers.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bardon ......fin	1.9†	May 11	2.43	2.86ӿ	3.25
Bedford (Wm) ......fin	1	-	1	1	1
Bostrom ......fin	3.5	May 25	1.5	5.75	1.5
BPP ......fin	3.25†	May 18	2.5*	5.25	4.2*
Brent Chemicals ......fin	5.4	-	4.75	6.8	6
Brown & Jackson ......fin	1.2	July 2	0.4	1.7	0.5
Computer People ......fin	4.1	June 15	3.4	5.85	4.85
EBC ......fin	4.5	May 18	4.05*	8	6.75*
Epwin ......fin	4.2	Jun 8	3.7	6	5.3
Estates/General ......fin	2.525	May 31	2.3	3.75	3.4
Lloyd Thompson ......int	2.3	May 11	1.9	-	6
Martin Currie ......fin	0.4	June 11	0.4	0.4	0.4
McLaugh & Harvey ..fin	6.75†	May 18	6	10	9
Memec ......fin	4.5	June 1	3.8	6	5.2
Ossory Estates ......int	0.4	May 30	0.3	-	0.75
P-E Intl ......fin	3.9	-	3.1	5.6	4.5
Rotork ......fin	4.5	May 31	4	8	7.25
Sykes-Pickavant§ ......fin	3.5	May 21	3.5	5.75	5.75
Tech Project ......fin	5	-	3.4	6	5.3
TT Group ......fin	2.5	-	2*	4	3*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ӿFor nine months to December 31 1989.

COMPAGNIE BANCAIRE

Société Anonyme

Incorporated in France with limited liability.
Regd. Office: 5 avenue Kléber, Paris 16 ème.

NOTICE TO SHAREHOLDERS

Following a Resolution passed at the Ordinary General Meeting on 19th March, 1990 a dividend of Frs. 10.00 per share of Frs. 100 nominal for the year ended 31st December, 1989 was declared payable from 29th March, 1990 as follows:—

Residents of the United Kingdom will receive Frs. 7.50 per share of Frs. 100 nominal.

Settlements *of Additional* Payments:—

Under the terms of the Double Tax Convention between France and the United Kingdom, residents of the United Kingdom will receive, subject to the completion of Form RF4-GB, on or after 29th March, 1990 an additional Frs. 5.25 per share thus increasing their dividend to Frs. 12.75 per share.

Holders may, however, submit Form RF4-GB at anytime up to *31st December, 1991.*

Payments will be subject to deduction of United Kingdom Income Tax at the standard rate of 25%.

Claims should be lodged with:—

S.G. WARBURG & CO. LTD.
Paying Agency,
2 Finsbury Avenue,
London EC2M 2PA

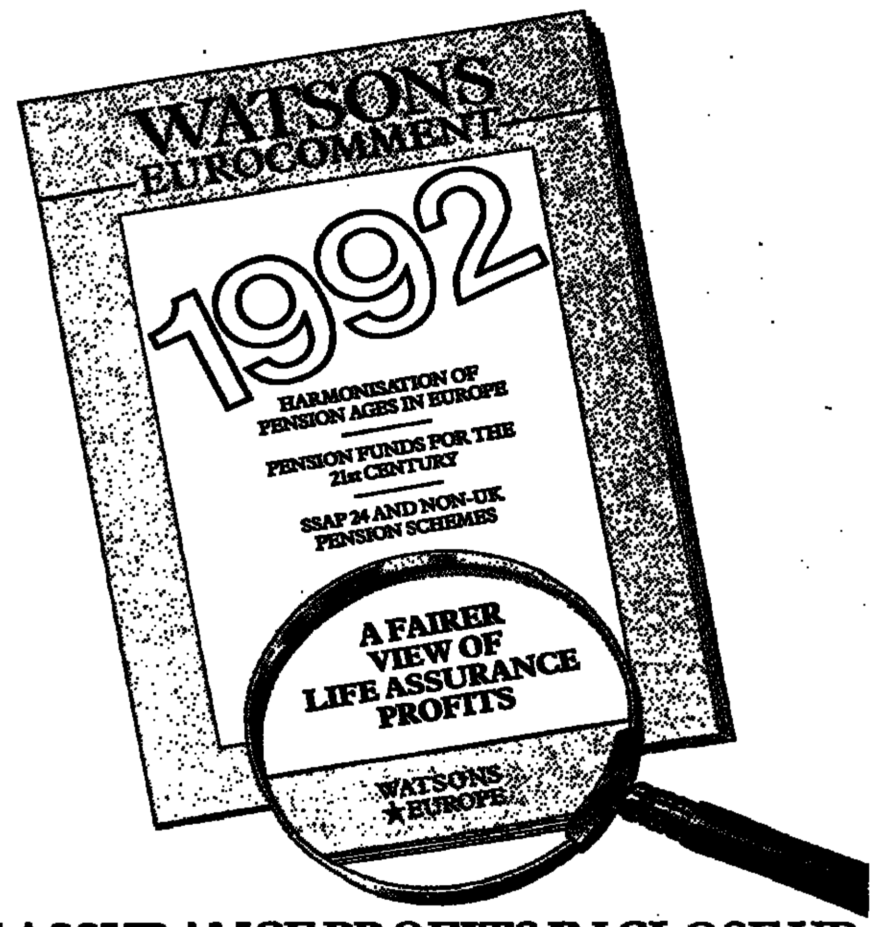
Banque Paribas,
68 Lombard Street, London EC3V 9EH

Crédit Lyonnais,
84/94 Queen Victoria Street, London EC4P 4LX

Société Générale,
60 Gracechurch Street, London EC3V 0HD,

from whom claim forms and further information can be obtained.

Copies of the Annual Report and Accounts will be available in French and in English on application to S.G. Warburg & Co. Ltd.



LIFE ASSURANCE PROFITS IN CLOSE UP.

This is just one of the articles in the current issue of Watsons Eurocomment, a timely review of the European pensions and insurance scene, produced by Watsons Europe.

This service from Watsons is available to all companies seeking advice on European insurance markets, employee benefits and pension schemes.

Watsons Europe is the sole UK participant in EURACS, the extensive European network of leading independent actuaries in Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain and Switzerland.

Together with a special team of Watsons partners who have wide European experience in advising companies and pension funds we can provide on-the-spot actuarial advice throughout the European Community.

We're based in Watsons head office in Reigate, with access to comprehensive EC databases.

If we can help you, please phone George Clare (0737 222892).

Please write to Watson House, London Road, Reigate, Surrey RH2 9PQ for a copy of Watsons Eurocomment.

Name:

Title:

Company:

Address:

FT27/3/90

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R Watson & Sons is regulated by the Institute of Actuaries in the conduct of its investment business.

P-E International

THE MANAGEMENT AND COMPUTER CONSULTANTS

Summary of 1989 Results	1989 £000's	1988 £000's	
Fees	58,017	48,234	+20%
Profit before tax	5,622	4,511	+25%
Margin	9.7%	9.4%	
Earnings per share	21.1p	17.5p	+21%
Dividends per share	5.6p	4.5p	+24%

Extracts from Statement by the Chairman, Hugh Lang:

- Record results again in 1989
- Excellent progress on a wide front
- Three further acquisitions
- Dividend up 24%
- We look forward with confidence to another successful year in 1990.

Copies of the full Annual Report and Accounts 1989 and of P-E's annual review 'Perspective 1990', which will be posted to Shareholders in April, may be obtained from: The Secretary, P-E International plc, Wick Road, Egham, Surrey TW20 0HW. Telephone Egham (0784) 434411.

UK COMPANY NEWS

Enlarged TT Group more than doubles to £8.4m

By Andrew Bolger

TT GROUP, the acquisitive industrial holding group formerly known as Tyzack Turner, more than doubled pre-tax profits from £3.58m to £8.42m in the year to December 31.

Turnover also more than doubled to £61m (£28m), helped by the first full year's contribution from Beatson Clark, the glass and plastics packaging manufacturer, which TT bought in 1988 for £31m.

Mr Timothy Reed, chairman, said the group had enjoyed another year of significant growth under the management team of Mr John Newman, an ex-Hanson Trust acquisitions manager, and Mr Nicholas Shipp, a former stockbroker.

Earnings per share rose 23 per cent to 12.3p (10p) and a final dividend of 2.5p is proposed, making a total of 4p, an increase of 33 per cent.

TT said Beatson Clark's profitability increased as a result of improved profitability and reduced central and distribution costs.

The results also included a contribution from Newship Manufacturing, bought for £12.7m in May.

TT said Newship's subsidiaries, which supply products to the construction industry, experienced further growth and had not been affected by the downturn in the building and retail sectors.

TT now comprises three divisions – packaging, building materials and industrial fasteners.

The group said it had negligible gearing, which put it in a strong position to improve profitability by further investment in its subsidiaries and to take advantage of suitable acquisitions when they arose.

The results included an extraordinary debit of £204,000, representing a reduction in the amount received by TT for the plastic containers division of Beatson Clark, which it sold in 1988.

The adjustment follows an agreement on the completion of the accounts concerning the assets and liabilities of Beatson Plastics.

Lloyd Thompson sharply ahead to more than £4m

With a more than satisfactory growth in business, a stronger dollar and higher interest rates than those prevailing in the first half of the last financial year, Lloyd Thompson Group, a wholesale insurance broking and reinsurance broking company, pushed up pre-tax profits from £2.87m to £4.03m in the six months to December 31.

Mr Peter Lloyd, chairman, said the group had continued to maintain growth and profitability in all areas of its insurance and reinsurance business and that had been achieved against a background of losses suffered by the London insurance market, which had shown little sign of increased premium rates.

Earnings per share increased from 7p to 9.1p undiluted and from 6p to 7.9p fully diluted after tax of £1.59m (£1.08m).

The interim dividend goes up from 1.9p to 2.3p per 5p share.

Courtaulds sells BFF non-woven business

By Andrew Bolger

COURTAULDS, the international speciality materials company, has conditionally agreed to sell its Bonded Fibre Fabric non-wovens business to Lamont Holdings of Belfast.

BFF, based in Bridgwater, Somerset, produces dry laid non-woven fabrics and had a turnover of £21m in the year to March 31 1989.

Its largest business is the supply of wet and dry wipes to the retail trade.

BFF also makes a range of non-woven products for interlinings, medical applications such as tampons and for use in industry.

Lamont will pay £5m for BFF and Courtaulds will also receive a further £6m from existing orders and creditors of BFF.

Courtalds said the sale continued its evolution into a more focused, international, technology-driven company, encompassing coatings, performance materials, packaging, chemicals, films and fibres.

BFF had few links with other businesses in Courtalds.

Lamont had turnover of £97m in 1988, some 90 per cent of which was in textiles, with carpets and underlay predominating, followed by fashion and apparel fabrics, synthetic yarn and yarn spinning.

The purchase agreement is conditional on obtaining final consent from a third party to transfer a licence, which is expected to be forthcoming shortly.

Courtalds said the contract with Lamont ensured the employment and pension rights of BFF's 440 employees.

It was anticipated that Lamont would invest further in modernising and expanding the business.

Memec's decline to £6.7m reflects pressure on margins

By David Owen

MEMEC (Memory and Electronic Components), the Oxfordshire-based distributor of electronic components and microprocessor systems, yesterday reported a 19 per cent decline in 1989 pre-tax profits due to increased pressure on margins in the UK and elsewhere.

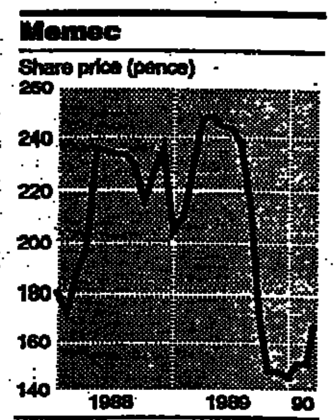
In spite of this and a £1.03m extraordinary charge, the shares climbed 11p to 168p. The group characterised current trading as "very strong."

Pre-tax profits for the year to December 31 tumbled to £6.7m from £8.3m in 1988. Turnover climbed 20 per cent to £97.4m (£81.2m). The fastest rate of sales growth was achieved in West Germany, although profitability in that market declined to just £180,000.

The results were hit below the line by the £1.03m extraordinary charge, which was related to the group's investment in Australia's Datamatic Holdings.

During the year, Datamatic revealed serious problems with a New Zealand subsidiary and was also hit by a downturn in the profitability of the core business.

As a result, Memec has decided to make no further investment in the business and has provided the full amount of its existing investment as an extraordinary item. The group blames Datamatic's tribulations on both unfavourable market conditions and bad management.



Earnings per share dipped to 15.85p (19.9p). A final dividend of 4.5p is recommended, making a total of 6p (5.2p).

A combination of the extraordinary charge and the increased dividend payment cut retained profits by 59 per cent to £1.55m.

The management intends to further expand the company on a geographic basis. In November, the group paid FFr48.2m (£5m) for 80 per cent of Newtek, a French supplier of semiconductors.

API sells last paper mill

ASSOCIATED Paper Industries has almost completed the reshaping of the group announced last December with the sale of its last paper mill for £5.5m to Eldridge Investments, which is expected to reveal its plans this week, writes Maggie Urry.

The mill has the capacity to make 20,000 tonnes a year of machine glazed paper for posters and envelopes, and is based in Otley, West Yorkshire. In the year to end-September 1989 the mill made pre-tax profits of £354,000 before group charges. The sale price is close to its net asset value.

API has already received £2m cash and the balance of £3.5m will be paid on September 21. The price includes the repayment of debt to API. The sale is expected to have a neutral effect on API's profits.

1989 FINANCIAL RESULTS OF BANCA COMMERCIALE ITALIANA

The Board of Directors of Banca Commerciale Italiana of Milan (Italy), in its meeting held on March 26, 1990, approved the accounts for the year ended December 31, 1989 which closed with a profit for the period of 420.3 billion lire. A dividend of 200 lire per ordinary share (180 lire in 1989) and 230 lire per preference share (210 lire in 1989) will be proposed, with the allocation to reserves of 204 billion lire.

The gross profit amounted to 1,151.3 billion lire. The operating profit, net of gains resulting from disposals of investments, amounted to 1,013.9 billion lire, representing an increase of 211.7 billion or 26.40% over the previous year's result, which itself saw an increase of 20.60% compared to 1987. All sectors of activity and careful control of costs have contributed to this latest favourable performance.

The level of provisions against loans to countries with debt repayment difficulties rose in 1989 from 50% to 60% (the effective level of provision may be estimated as approximately 75%, considering that part of the provision is taxable, and any eventual losses against such provision would be tax-deductible).

As at December 31, 1989 total funds deposited with the Bank amounted to 90,390 billion lire, total monies lent were 77,234 billion lire, and shareholders' equity was 3,681 billion lire.

The main figures of the Group Consolidated Balance sheet as at December 31, 1989 are: total funds deposited, 98,200 billion lire; total monies lent, 83,700 billion lire; shareholders' equity, 4,550 billion lire; total assets: 112,600 billion lire.

Ossory Estates PLC

OSSORY ESTATES PLC

Interim Statement of the Unaudited Consolidated Results

for the six months ended 31 December 1989

RECORD RESULTS

- Turnover increased by 119% at £27,259,000 (1988: £12,452,000).
- Profit before tax up 49% at £6,583,000 (1988: £4,409,000).
- Dividend increase of 33% to 0.4p (1988: 0.3p).
- "The Group's objectives remain the same: to return the loyalty and support of the shareholders with rising profits, rising dividends and when the market settles down a renewed rise in asset value."

John Walker, Chairman.

	Unaudited six months to 31 December 1989 £000	Unaudited six months to 31 December 1988 £000	Year to 30 June 1989 £000
Turnover	27,259	12,452	22,830
Profit before tax	6,583	4,409	6,531
Profit attributable to shareholders	2,647	3,456	4,899
Dividend per share	0.40p	0.30p	0.75p

Copies of the interim statement are available from: The Secretary, Ossory Estates PLC, Heathcoat House, 20 Savile Row, London W1X 1AE.

NEWS DIGEST

Rotork improves to £6.15m

ROTORK, the Bath-based controls and instrumentation group, lifted taxable profits by 21 per cent to £6.15m in 1989.

The outcome – up from £5.09m in the previous year – was achieved on turnover ahead to £39.38m (£34.06m).

Mr Jeremy Lancaster, chairman, said the actuation valve side saw rapid growth in both sales and profit, with a particularly good second half. It also benefited from increased spending worldwide on water and waste treatment plants.

Reorganisation of production facilities at the Protech Instruments subsidiary brought improvements in efficiency and profits, Mr Lancaster said.

Earnings per 10p share improved from 11.09p to 13.1p and the total dividend for the year is raised 0.75p to 8p via a proposed final of 4.5p.

Technology Project Services leaps 45%

Taxable profits of Technology Project Services leapt 45 per cent from £1.18m to £1.72m in 1989 on a 30 per cent improvement to £14.09m in sales.

Mr Dick Avery, chairman, said that, on a global basis, the growth in the contract engineering industry was one of the fastest growing segments of the personnel business.

Technical skills and expertise would continue to be in high demand throughout the next decade, he said.

Earnings per 10p share rose to 23.2p, against 16p, after tax of £608,000 (£415,000) and the dividend goes up from 5p to a 7.2p total with a recommended final of 5p.

All-round growth as BPP advances 90%

All-round growth helped BPP Holdings, the financial training and publishing group, lift pre-tax profits by 90 per cent from £1.7m to £3.23m in 1989. Turnover more than doubled from £10.23m to £21.09m.

The company said that significant overseas earnings were accrued from the July acquisitions of Language School Holdings, better known as the Linguarama Group, which has 50 language schools in nine countries, and a 67.7 per cent stake in Markus Verbeek, an Amsterdam accountancy school.

Earnings came out at 13.5p (10.8p) per share and a final dividend of 3.25p has been recommended, for a total of 5.25p (4.2p adjusted) for the year.

Epwin increases 32% to over £3m

Epwin Group, the USM-quoted specialist window manufacturer, reported pre-tax profits up 32 per cent from £2.31m to £3.05m for the year to December 31.

Turnover rose 26 per cent to £43.9m (£34.8m).

Mr Jim Rawson, chairman, said the group now had an excellent spread of business in the commercial, trade and retail markets and had gained market share in all sectors during 1989.

After tax of £821,000 (£608,000), undiluted earnings per hare emerged at 14.1p (11.3p); the proposed final dividend is 4.2p making a total of 6p (5.3p).

Net interest forces Ramar into red

Ramar Textiles, a manufacturer and distributor of ladies' and children's clothing, incurred pre-tax losses of £252,000 in the six months to November 24 compared with a profit of £426,000 in the corresponding period of the previous year.

Mr Colin Radin, chairman, said high interest rates, an unsatisfactory delay in settlement of a consequential loss claim, expanding production and high stock levels had all contributed to interest charges in the period in excess of £525,000.

Sales fell slightly from £13.77m to £12.09m; after a tax credit of £88,000 (£157,000 charge) the loss per share was 1.29p (2.12p earnings).

New Cavendish back in black with £1.26m

New Cavendish Estates, a property investment and development concern, reported pre-tax profits of £1.26m for the six months to December 31 compared with a loss of £70,926 last time.

Mr HE Schep, chairman, said the Quadrant development at Bristol was satisfactorily concluded last December. Part of the profit was recognised last year with the balance of £1.14m being brought into the first half of this year, directors explained.

A surrender of the short-term leasehold interest of the company's own offices has been agreed with Sun Alliance and New Cavendish will be shortly be moving to new offices in London's West End. In June the company will receive a premium of £500,000 for its lease which will be a further benefit in the second half.

Net rental and other income was £1.59m (£496,461). Earnings were 5.61p (loss of 0.51p) after tax of £475,000 (nil). The company forecast a return to the dividend list, subject to a satisfactory outcome for the second half.

McLaughlin & Harvey just ahead

Taxable profits at McLaughlin & Harvey, the County Antrim-based building, civil engineering and property development group, showed a marginal increase in the year to end-December.

On turnover ahead some 14 per cent to £106.89m (£94.12m), profits amounted to £2.2m, up from £2.13m last time.

Earnings per share worked through at 27p, against 31.4p in 1988.

A recommended final dividend of 6.75p brings the total for the year to 10p (9p).

Seats division helps Bostrom rise 37%

In its first full year since flotation in November 1988, Bostrom, a vehicle seating and specialist engineering group, turned in pre-tax profits of £2.9m. This represents a 37 per cent increase on last year's £2.12m.

Mr Colin Howell, managing director, said the seating division, which manufactures suspension seats for the vehicle industry, had again increased its share of the market.

Of total turnover of £28.59m, this division contributed the lion's share with £24.09m and exports accounted for 67 per cent of sales, he said.

With the acquisition in February of C&P Products, the specialist engineering division was now a grouping of five small companies.

Sales in this division totalled £4.5m and this arm would, said Mr Howell, provide the group with further areas for growth in the current difficult trading conditions.

Net interest payable increased to £364,000 (£188,000) and after a reduced tax charge of £99,000 (£120,000) and an extraordinary credit of £1.15m (nil), earnings per 5p share came out at 24.1p (19.2p).

A proposed final dividend of 3.5p makes a total for the year of 5.75p.

EBC rises 44% in spite of housing arm

In spite of a downturn in its housing division, EBC Group, the contracting, building and property development company, yesterday unveiled a 44 per cent expansion to £5.31m in pre-tax profits for 1989.

The contribution from the group's Marwood Homes offshoot fell to £573,000 (£1.17m), mirroring the "significant national recession in the market", the company said, but this was more than offset by sharply improved performances from EBC's other activities.

Property development remained the largest contributor to profits with £2.32m (£1.28m). The mainstream contracting side put in £1.3m (£720,000), while building and maintenance profits totalled £1.16m against £975,000.

Group turnover rose 18 per cent to £66.03m (£55.94m). Interest charges rose from £365,000 to £859,000. Earnings per 50p share rose to 29.8p (23.78p) and the recommended final dividend of 4.5p lifts the total to 8p (6.73p adjusted for the scrip issue last May).

Ramar Textiles plc

MANUFACTURERS AND DISTRIBUTORS OF LADIESWEAR

Unaudited Interim Results

	Half year to 24/11/89 £000	Half year to 25/11/88 £000	Year to 26/5/89 £000
Turnover	12,085	13,768	24,682
Profit (Loss) before tax	(252)	426	837
Tax (Charge) credit	88	(157)	(323)
Profit (Loss) after tax	(164)	269	514
Earnings (Loss) per share	(1.29p)	2.12p	4.06p

- Company carrying record stockholdings of presold stock. UK factories producing at record levels with order books full through into the Autumn.
- Presold production running at a rate of £600,000 per week since the beginning of 1990. A sales increase in the order of 20% anticipated for calendar year.
- High interest rates, delay in settlement of consequential loss claim, expanding production & high stock levels all contributed to interest charges in excess of £525,000.
- Supply difficulties and uncertainties in China resulted in lost sales of around £2 million in silk garments in the first half. However, these problems have been overcome and as silk now has a much wider public appeal I anticipate our long term investment will create profits in the ensuing years.
- I am confident of the satisfactory outcome of arbitration at the end of April and very much regret the detrimental effect on the recovery and expansion of the Group caused by unwarranted delays in settlement by the insurers.

Colin Radin, *Chairman*

COMPANY NOTICES

ROLINCO

ROLINCO N.V.
ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on Thursday, 12th April, 1990, at Concert and Congress building "de Doelen", entrance Kruisplein 30, Rotterdam, at 11.45 a.m.

AGENDA

1. Opening
2. To receive and adopt the Report of the Board of Directors for the financial year 1989
3. To receive and adopt the Annual Accounts for the financial year 1989
4. To determine the appropriation of the profit
5. To compose the Board of Supervisory Directors
6. Any other business

BY ORDER OF THE MANAGEMENT

Dated this 27th day of March, 1990.

P.O. Box 973
Rotterdam

ROBECO

ROBECO N.V.
ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on Thursday, 12th April, 1990, at Concert and Congress building "de Doelen", entrance Kruisplein 30, Rotterdam, at 9.30 a.m.

AGENDA

1. Opening
2. To receive and adopt the Report of the Board of Directors for the financial year 1989
3. To receive and adopt the Annual Accounts for the financial year 1989
4. To determine the appropriation of the profit
5. To compose the Board of Supervisory Directors
6. Any other business

BY ORDER OF THE MANAGEMENT

Dated this 27th day of March, 1990.

P.O. Box 973
Rotterdam

RORENTO

RORENTO N.V.
INFORMATIVE MEETING FOR SHAREHOLDERS

to be held on Thursday, 12th April, 1990, at Concert and Congress building "de Doelen", entrance Kruisplein 30, Rotterdam, at 14.30 p.m.

AGENDA

1. Opening
2. To discuss the Report of the Board of Directors for the financial year 1989
3. To discuss the Annual Accounts for the financial year 1989
4. To discuss the appropriation of the profit
5. To discuss the composition of the Board of Supervisory Directors
6. Any other business

RORENTO N.V.
ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on Tuesday, 5th June, 1990, at Zeelandia Business Centre, Willemstad, Curaçao (Netherlands Antilles), at 10.30 a.m.

AGENDA

1. Opening
2. To receive and adopt the Report of the Board of Directors for the financial year 1989
3. To receive and adopt the Annual Accounts for the financial year 1989
4. To determine the appropriation of the profit
5. To compose the Board of Supervisory Directors
6. Any other business

BY ORDER OF THE MANAGEMENT
ST. MAARTEN

Dated this 27th day of March 1990

GRANDWEAR HOLDINGS plc

MANAGEMENT BUYOUT OF THE BENETTON RETAIL OPERATION OF GOODMAN GROUP PLC

NOW KNOWN AS

THE VIDEO STORE GROUP PLC

RIGGS A P BANK LIMITED

ACTED AS FINANCIAL ADVISERS TO THE BUYOUT TEAM AND ARRANGED THE EQUITY, MEZZANINE AND SENIOR DEBT FINANCE

EQUITY AND MEZZANINE FINANCE PROVIDED BY

GREAT WINCHESTER CAPITAL FUND

SENIOR DEBT PROVIDED BY

BARCLAYS BANK PLC

FIGUREHEAD FINANCE PLC

OTHER ADVISERS TO THE MANAGEMENT

GRANT THORNTON — CHARTERED ACCOUNTANTS

BLYTH DUTTON — SOLICITORS

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

PARINTER BOND FUND S.A.

Société Anonyme

R.C. Luxembourg B 8849

NOTICE OF MEETING

Notice is hereby given that the twenty-first Annual General Meeting of PARINTER BOND FUND S.A. will be held at the Registered Office in Luxembourg, 10A, Boulevard Royal, on:

Tuesday, 17th April, 1990 at 12.00 a.m.

for the purpose of considering the following Agenda:

1. To receive and adopt the Management Report of the Directors for the year ended 31st December, 1989.
2. To receive and adopt the Report of the Auditor for the year ended 31st December, 1989.
3. To receive and adopt the Annual Accounts for the year ended 31st December, 1989.
4. To approve payment of Director's Fees.
5. To grant discharge to the Directors and the Auditor in respect of the execution of their mandates to 31st December, 1989.
6. To appropriate the earnings.
7. To receive the resignation and appointment of one Director of the Company.
8. To transact any other business.

The resolutions will be carried by a majority of those present or represented.

The shareholders on record on the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the Registered Office of the Company not later than twenty-four hours before the meeting.

By order of the Board of Directors

J. Pierson

Secretary

UK COMPANY NEWS

Fund raising will eliminate debt and help expansion

Brown & Jackson reports sharp rise to £9.5m

By Maggie Urry

BROWN & JACKSON, the discount retailer and security alarms group, yesterday announced a sharp rise in profits, a £31.4m fund raising and the purchase of some shops from Lowndes Queensway, the loss-making furniture and carpet retailer. Brown & Jackson shares were unchanged at 61½p. Lowndes shares fell ½p to 4p.

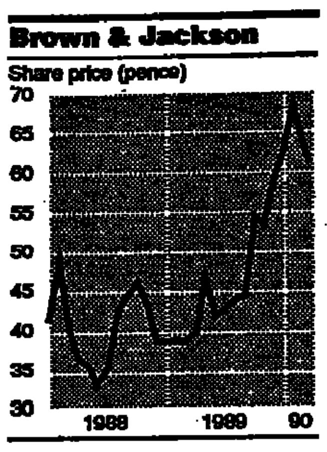
Brown & Jackson bought Poundstretcher, a discount retail chain, from Lowndes in March last year, for £72.2m. At the time the deal was worth many times the market value of Brown & Jackson. The deal was financed in part by bank debt, on which the group is now paying 17 per cent interest rates.

Mr Bryan Duffy, Brown & Jackson's chairman, said that although group debt has been reduced from the original level of £42m to under £20m, the group is still highly-geared.

He said that at the time of the original deal equity backers had proved hard to find since Brown & Jackson had yet to prove itself and was highly geared.

However, he felt that now investors would be more ready to buy new shares, particularly following the rise in group pre-tax profits in 1989 to £9.5m (£2.2m) on sales up from £34.4m to £147.5m. Interest charges were £6.1m (£121,000) reflecting the high level of debt.

Earnings per share rose from 4.19p to 7.22p on an undiluted basis. Fully diluted earnings per share were 6.79p. The final dividend is 1.2p (0.4p) to give a total of 1.7p (0.5p).



Within total trading profits of £15.7m, retailing contributed £9.9m. Premier Construction, a building business sold at the end of the year for £5.6m, made £1.1m (£612,000). Advanced Technology, the security alarms business, made a pre-tax profit of £1.3m (£1.04m). E&G Harris, a toiletry wholesaler, made £548,000 (£360,000).

Mr Duffy said that in the current economic climate discount retailers should fare better than others. Poundstretcher is expanding from its northern base into the south of the UK.

The new funds being raised will eliminate debt initially and be used to expand the Poundstretcher chain, and the group's other retail activities at a time when shop sites are more readily available because of difficult trading conditions, Mr Duffy said.

Poundstretcher has bought 53 shops from Lowndes since November last year, for a total price of £1.65m. The cost of refitting these shops, which were mainly high street furniture stores, as Poundstretchers, will be around £12m, Mr Duffy said.

Lowndes said the sale was part of the move to reduce store numbers, particularly the 146 high street stores, announced in January when it agreed a refinancing package.

The money is being raised through placings of ordinary shares and cumulative convertible preference shares. Existing shareholders can take up an open offer of one new ordinary share at 58p for every three held and one 10.75 per cent convertible preference share at par for every 10 shares held.

The issue is subject to shareholders' approval at a special meeting to be held on April 18. Lowndes, which holds 20 per cent of Brown & Jackson's equity plans to vote in favour of the issue but will not take up its entitlement.

The issue will take shareholders' funds from being negative when goodwill is excluded to a positive £17.1m.

The issue is being arranged by Guidehouse Securities and UBS Phillips & Drew.

P-E Intl rises 25% to £5.6m

P-E INTERNATIONAL, the management and computer consultancy, made "excellent progress on a wide front with record results" in 1989.

Taxable profits advanced 25 per cent from £4.51m to £5.62m.

Mr Hugh Lang, chairman, said that while manufacturing and oil, gas and chemicals remained P-E's largest sources of revenue, the star performers were the public sector, where fees rose 32 per cent, and transport, retail and distribution, where fees jumped 65 per cent.

Group fee income rose 20 per cent to £58.02m (£48.23m).

After tax of £2.18m (£1.67m), earnings totalled 21.1p, an increase of 21 per cent.

A final dividend of 3.9p is recommended for a total up 24 per cent to 5.6p (4.5p).

Mr Lang said that as a group, P-E grew by 20 per cent in 1989, while fees from other European countries climbed 29 per cent to £8m, or 14 per cent of group turnover.

GrandMet's US offshoot sees room for growth

By Philip Rawstorne in Connecticut

PEARLE, the US-based spectacle retailing subsidiary of Grand Metropolitan, is to expand its operations in continental Europe and the Far East.

The company, with nearly 1,300 stores and annual sales of $750m in the US, already has 190 stores in the Netherlands and Belgium.

It intends to open two stores in Düsseldorf and Cologne next month and plans eventually for a chain of some 200 outlets in West Germany, where the potential market is estimated at $1.85bn.

Plans are also being made to open stores in France and Spain.

Mr Howard Stanworth, chief executive officer, said here today: "The European market has great potential for our branded retailing of eye-care products."

Pearle had no intention yet, however, of opening stores in the UK. The Government's withdrawal from eye-testing last year and the squeeze on consumer spending had largely led to a 30 per cent reduction in sales of spectacles, Mr Stanworth said.

In the Far East, Pearle has formed a joint venture with Japan Optical. 18 stores have been opened and the number will be increased to 50 by 1993.

The first store is to be opened in Taiwan in the summer and will be followed by another 24. Opportunities are also being investigated in South Korea and Hong Kong.

Martin Currie

Net asset value per 50p ordinary share of the Martin Currie Pacific Trust rose from 257.9p to 313.4p over the year to end-February.

Net revenue for the year emerged at £110,000 (£90,000), equal to earnings of 0.92p (0.75p).

The dividend is a same-again 0.4p.

BAT still formulating reply to Goldsmith

By Nikki Tait

BAT INDUSTRIES, the tobacco-based conglomerate which has been under bid threat from Sir James Goldsmith's Hoylake consortium, said yesterday that it was still formulating a reply to a letter from Sir James, in which the financier questioned the cost of BAT's defence and its current share buy-back programme.

There have been suggestions that this could be a prelude to legal action against BAT directors – although that would be a highly unusual move in the UK. Hoylake is believed to have taken counsel's opinion before pursuing its questions on BAT's costs.

Sir James, whose own letter was dated March 19, has asked for a response by March 30. His letter is understood to make no direct reference to legal action against BAT directors, but does suggest that in the light of the reply received Hoylake may then be able to "reconsider the conclusion we have reached with our advisers".

Concern has been expressed for some time by the Hoylake camp about the advanced corporation tax implications of BAT's current share buy-back programme. In the US, Hoylake representatives have suggested that the conglomerate may face a $600m write-off of irrecoverable ACT if it buys back a full 10 per cent of its shares.

So far, BAT has bought in – and cancelled – just over 4.2 per cent of its shares. The stock market prices paid were around the 800p level, but Hoylake has alleged that the "true" cost, given the tax problem, could be nearer £10.80.

The issue was raised again by Hoylake in the context of BAT's results last week, announced after Sir James' letter was sent.

The company said that share buy-backs had cost £213m in 1989, although it confirmed that actual stock market expenditure was only around £159m – the difference being the ACT write-off. It also revealed defence costs in the UK and US totalling £56m.

Estates & General shows 19% advance to £3.65m

ESTATES & General Investments, a property investor and developer, raised taxable profits by 19 per cent from £3.06m to £3.65m in the year to December 31.

The rise would have been sharper had there been an exceptional profit this time (£300,000). Net asset value increased to 299p (267p).

However, the company had utilised its remaining tax losses in 1988 and consequently its 1989 tax charge rose steeply to £1.09m (£357,000). This left post-tax profits down at £2.56m (£2.7m). Indeed, after preference dividend payments of £1.59m (£358,000), attributable profits worked through at £963,000 (£2.34m).

Following the dividends due on the convertible share issue made in 1988, earnings were reduced from 9.9p to 4.54p (or 7.7p fully diluted). The total dividend for the year is lifted 10 per cent to 3.75p (3.4p), with a proposed final of 2.525p.

EBC GROUP plc

PRELIMINARY ANNOUNCEMENT

PRE-TAX PROFITS INCREASE 44%

AUDITED RESULTS FOR THE YEAR TO 31 DECEMBER

	1989	1988
External Turnover	£66.0m	£55.9m
Profit before taxation	£5.31m	£3.68m
Earnings per share	29.80p	23.78p
Total dividends per share	8.0p	6.75p

25% INCREASE IN E.P.S.

DIVIDENDS UP BY 19%

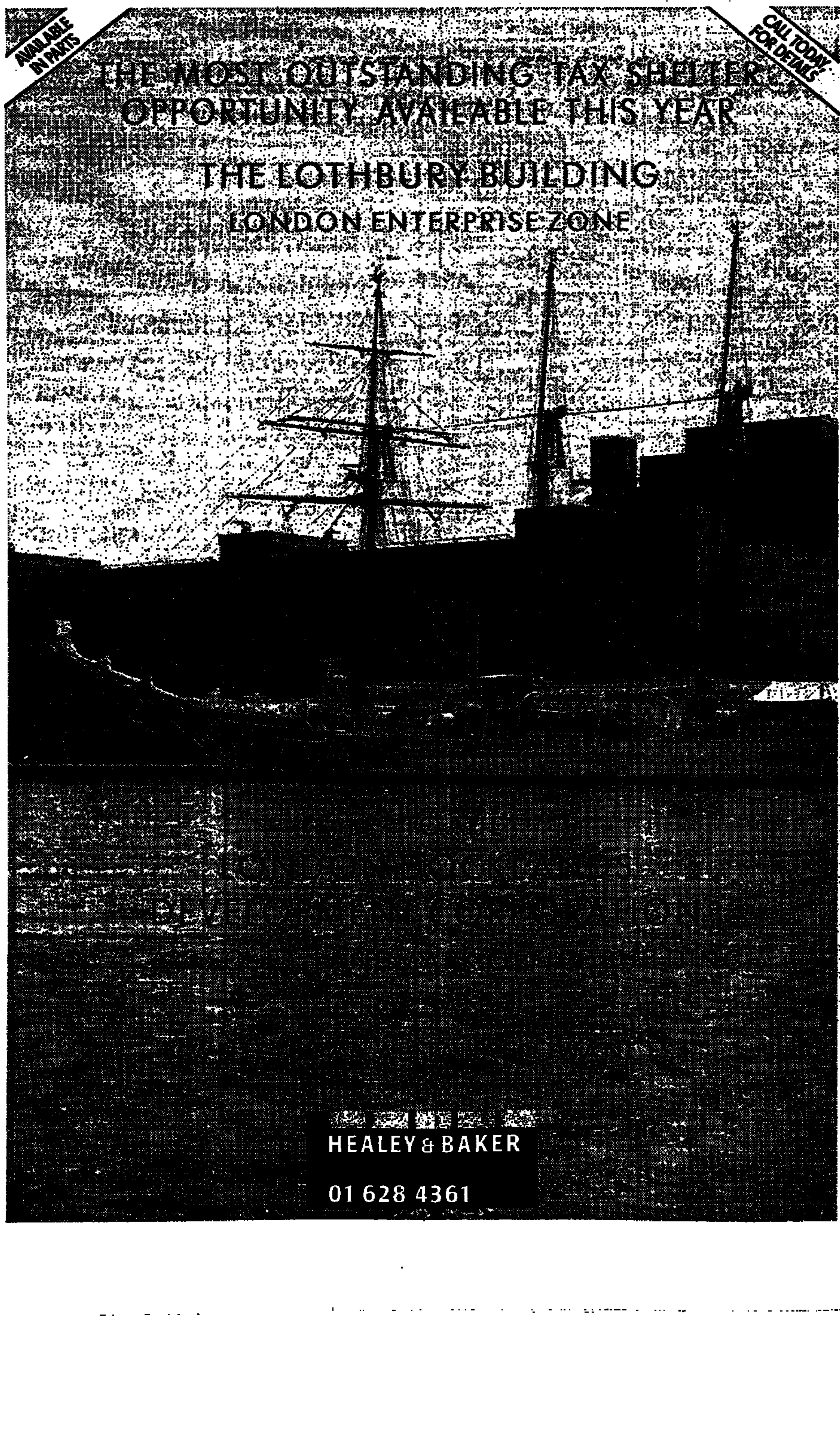
"We celebrate our 50th year of trading with strong growth and the fifth successive year of record profits."

DAVID STONEMAN - *Chairman*

GOLDEN JUBILEE 50 ANNUAL REPORT 1989

The full 1989 Report and Accounts will be posted to Shareholders on 9th April 1990. Copies may be obtained from the Group Secretary at:

EBC GROUP plc, Walnut House, 63 St. David's Hill, Exeter.



NEWS IN BRIEF

BABCOCK CONSTRUCTION has won a £2.75m contract at the Clyde Submarine Base, Faslane. It will act as a sub-contractor to A Monk Building and Civil Engineering.

BIMEC INDUSTRIES has acquired Plastic Constructions (Fabrications) for about £850,000 cash, dependent upon a final evaluation of stock and work in progress. Plastic Constructions (Fabrications) is a subsidiary of Plastic Constructions, part of then Glynwed International Group.

BUILDER GROUP has acquired Security Publications whose principal titles include "Security Industry", "Security Installer" and "Security Retailer". Security Publications with a current turnover in excess of £2m will continue as an autonomous unit within The Builder Group.

CENTURY OILS has agreed the sale of its freehold premises of 11.2 acres of factory and offices at Dartford for £4m. The current book value of the asset is £1.9m.

COATED ELECTRODES is to change its name to Kembrey subject to shareholders' approval at an egm on April 14. The group also announced that it has appointed Smith New Court Securities as its adviser, broker and market maker in place of Panmure Gordon.

MARKHEATH now holds just over 30.3 per cent of Camford Engineering ordinary and has received elections for the loan note alternative in respect of a further 4,176 Camford shares. Offers have been extended and will remain open until 3pm on April 6 1990.

SIDLAW GROUP has reported property disposals amounting to £2.85m. It will receive £1m cash for factory premises at Byfleet, Surrey and £1.85m for the sale of remaining properties of Aberdeen Service Company (North Sea).

WEST INDUSTRIES has purchased City and Country Estates for £1.15m, to be satisfied by the issue of 4.6m shares, of which 3.6m have been allotted and the balance will be issued upon the repayment of a debt of £250,000 owed by interests associated with Chris Charlton, chairman of City and Country following the acquisition of those interests of a property formerly owned by CCE. The debt must be repaid before March 31 1991.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

[illegible]

FUTURE DATES

[illegible]

FINANCIAL DIRECTOR SEEKS GENIUS

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FINANCIAL TIMES SURVEY

Growing worries about default have reduced lenders' and investors' appetites for conventional forms of risk, says Stephen Fidler. This has prompted a surge of interest in asset-backed finance, a trend which provides extra comfort but brings hazards of its own.

Asset-backed Finance

Relief for the bruised

ASSET-BACKED finance, an area of rapidly growing importance in the international financial market place, covers a huge spread of activity.

It includes business as traditional as the financing of ships. And it covers transactions as novel as the transformation of US banks' problem loans into securities for sale to the most conservative of investors.

A number of threads run through all such financings. For one thing, recourse to an asset, whether real or financial, offers additional comfort to lenders and investors. This is a significant factor now, amid increased worries about corporate defaults.

Over the last decade, banks have retreated, badly bruised, from their unsecured lending to developing countries, and more recently from their lending to companies for acquisition purposes. In the world's bond markets, investors have in the last few years been subjected to "event risk", where companies to which they have lent money have suddenly been subject to an external shock such as a leveraged takeover which has devalued their bonds. Now, as the business climate in some countries has turned more difficult, investors have experienced a growing number of defaults on bonds and commercial paper.

Another element which links many such transactions is the separation of the risks and costs of ownership of an asset from the use of the asset. For example, one trend in aircraft financing is turning airlines into operators rather than owners of aircraft. The risks associated with ownership – the possibility of a downturn in the market for second-hand aircraft – is being borne by financial institutions. On the other hand, lending against the security of an aircraft provides a second line of defence for the lender in the event of the airline hitting financial problems.

In the market which "securitises" mortgages – that is, repackages bundles of mortgages and sells these packages to investors – financial institutions are deriving the fees and benefits from the origination of loans but are shifting the costs and risks of funding those loans to investors.

Growing awareness of the costs of capital – encouraged by the international agreements on capital adequacy negotiated under the auspices of the Bank for International Settlements – has fostered this trend towards securitisation. Moving risks from banks' balance sheets, thereby freeing scarce capital, has been a driving force in the markets for securitised assets.

The early emergence of a capital-adequacy regime in the US has encouraged financial institutions there to lead the field in securisation, the growth of which has been facilitated by developments in computer technology which have allowed for better tracking and analysis of financial flows.

As the US market continues to broaden – moving leveraged buy-out loans from banks' balance sheets is one of the latest ideas to have hit the market – so those in Europe and other centres, Australia, Canada and even Japan, move ahead. The last year has seen interest in securitisation grow significantly among securities houses.

The reasons are not hard to divine. Competition has driven down returns in the bread-and-butter business of the international financial markets – plain lending in the banking market, trading and underwriting in the securities markets. Over the last few years this has led many international banks and securities houses to concentrate attention on corporate finance, particularly on debt-financed mergers and acquisitions. The well-publicised problems of this business on both sides of the Atlantic has forced a shift in emphasis. Securitisation allows intermediaries to "add value" – in other words, charge high fees – but avoid high risks.

Since investors, too, are on the rebound from the consequences of the leveraged buy-out boom, many are receptive to the lower-risk securities created by the packaging of financial assets. The welcome that investors in Europe have, in recent months, accorded the packages of US financial assets sold in the international market suggests that, if the product were there, it would find a ready market among investors.

But the question-mark about the growth of the market, certainly in most of Europe, concerns the ability of intermediaries and investors to tease out supply of suitable paper.

In the UK, for example, where the market in mortgage-backed securities is the most developed in Europe, there is an established market with £6.5bn in outstanding bond issues. The main factors limiting its growth are supply constraints.

The rise over the last year in UK interest rates has slowed considerably the origination of new mortgages. It has also increased the market share of the traditional mortgage lenders, which have not needed to use the market, and put under pressure the new specialist mortgage lenders which are the most active market issuers.

If the market in UK mortgage-backed securities is going to explode, the building societies – the traditional home lenders with significant mortgage assets – need to start using it. But when big building societies get short of capital, and most of them are not, it would be cheaper for them to raise subordinated debt to supplement capital than to securitise mortgages and thereby shrink their balance sheets.

Since the Bank of England issued guidelines early last year to cover the movement of commercial bank assets off balance-sheet, only one bank – Barclays – has made a securitised issue.

This underlines that more needs to be in place than the enabling regulations. It is a point well illustrated in France, where legislation specifically addressed at securitising the assets of banks was passed into law in late 1988. Only two issues under these rules have been announced so far, and bankers say the restrictions imposed will act as a deterrent to a significant number of would-be issuers.

In one sense, the US asset-backed market provides a laboratory for the nascent markets in the rest of the world. The number and spread of issues is broadening annually. Most important, perhaps, less-than-prime financial assets have now been turned into highly-rated securities.

The newest assets to reach the market are commercial loans, mostly from so-called highly-leveraged transactions – bank loans usually provided to finance acquisitions or buy-outs. Continental Bank and Mellon Bank have securitised such loans in private placements, while Banque Nationale de Paris used loans from other banks' portfolios to make a public issue.

Even in the UK, problem mortgage loans have been securitised in a £49.5m note issue – for a vehicle company called MAES Private Funding No 1 – which has gathered an AA rating from Standard & Poor's. The relative safety of the investment is assured through insurance.

When the growth of the US asset-backed market started to cream the best assets from the portfolios of US financial institutions, some observers were alarmed. They said they saw a trend which would leave banks and other financial intermediaries holding on to the worst-quality assets that could not be securitised.

If a significant number of lower-quality loans can be securitised, worries of this kind should be allayed. Such a development will also further blur the distinctions between the securities and banking markets.

But there is no doubt that the development brings risks of its own. In an overview of the asset-backed markets last year, Moody's Investors Service, the New York-based credit rating agency, noted along with their growth, another trend – towards increased risk.

"More structured transactions during 1989 involved complex or unusual risks..., complicated hedging instruments, new kinds of collateral..., a greater variety of lower-rated tranches in some structures; and market value structured securities using assets traded in still-developing secondary markets."

It adds: "Other trends have also increased credit risk. Most important is heightened competition among transaction participants, including underwriters, trustees, lawyers, accountants and collateral credit enhancers. The potential pressure on credit standards is obvious."

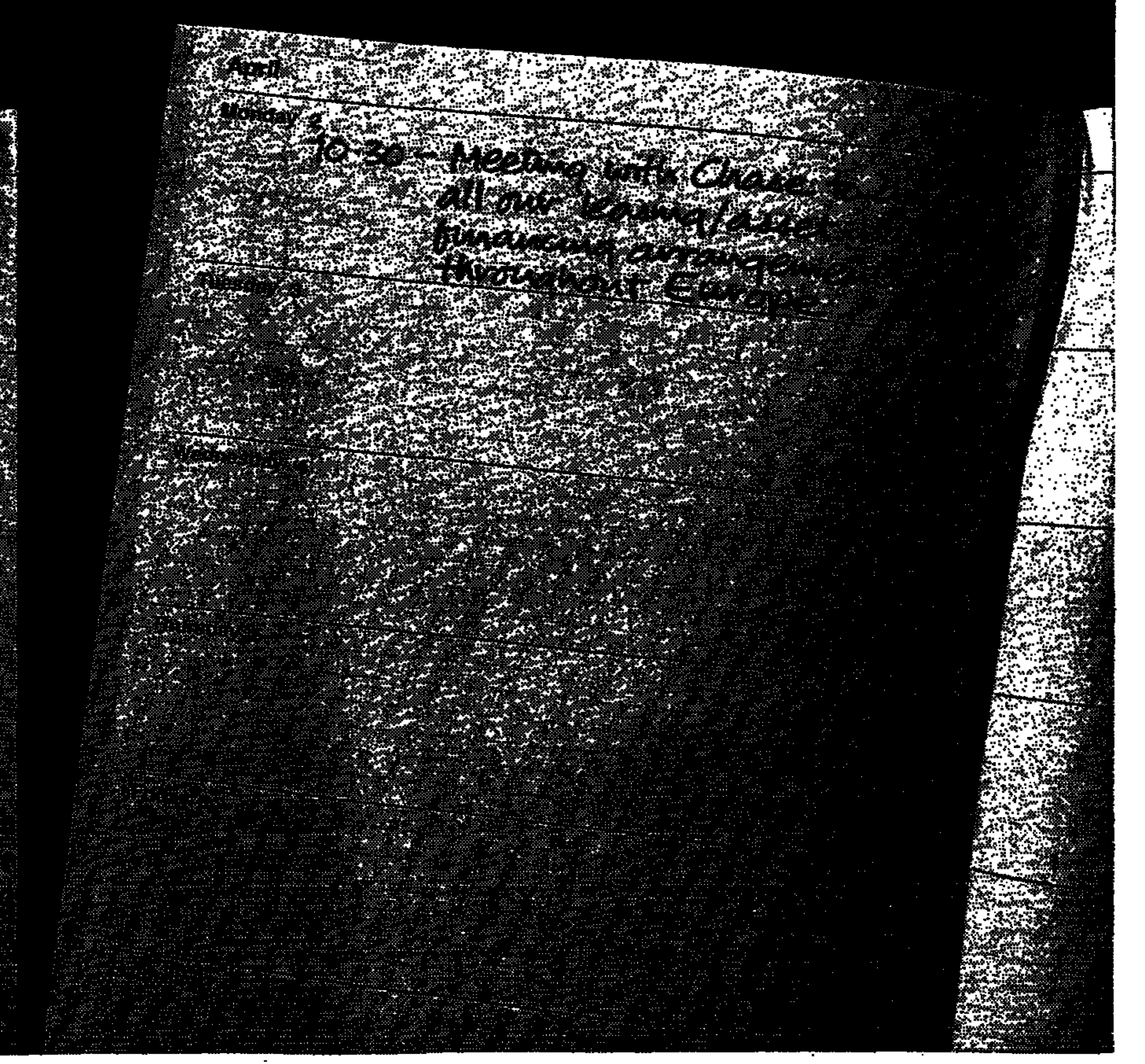
Asset-backed finance, from funding aircraft to junk bonds, is an area of growing importance in the financial markets. But even the best of such structures do not reduce risk, they merely redistribute it and the worst potentially carry new risks of their own.

IN THIS SURVEY

☐ Graphic: David Bromley

Editorial production: Martin Davies

Leasing across Europe. Made simple.



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CHASE

Structured finance in the UK

A home-loan hurdle

THE UK's asset-backed securities market, now just three years old, has fallen far short of the most optimistic projections made upon its inception by its boosters.

Rising mortgage rates and a variety of commercial restraints have combined to discourage lenders from taking assets off their balance sheets and packaging them for resale to investors.

Still, from the sellers' point of view, the securities have gained widespread acceptance among a variety of investors, suggesting that, if the volume of debt available for sale were increased, the market could mushroom. No longer are investors confined to the banking sector; pension funds and corporate cash managers are active investors as well. Since the collapse of the floating rate note market, investors have been seeking alternative paper and mortgage-backed securities have filled a niche.

So far, the asset-backed securities market in the UK has consisted overwhelmingly of mortgage-backed debt. Other receivables sold in the UK as securities – credit-card debt and highly leveraged loans off bank balance sheets – have largely been US assets packaged for sale to UK or European investors.

And because the mortgage-backed sector of the receivables market is the core of the business, growth has been limited. At the heart of the problem, underwriters of securities agree, has been the UK's record mortgage rates for the past year and the subsequent sharp drop in new mortgage lending. Moody's Investors Service, in a recent review of the sector in which it predicted "explosive" growth in asset-backed securities generally, said that growth in the UK was likely to be only flat, due to high mortgage rates.

"Last year, the absolute volume of new issues was down significantly," said Mr Mark Fisher, head of asset-backed securities at Samuel Montagu. Issuance of mortgage-backed securities peaked in 1988 at £3.2bn – up from £1.0bn in 1987 – but fell to £2.15bn in 1989. Issuance of new securities this year has been negligible.

And of those mortgages repackaged for sale last year, virtually all had been non-standard in some way, Mr Fisher noted. That is, the mortgages were either refinancings or were so-called "low-start" mortgages, in which home-buyers pay a lower rate of interest in the early years of the loan. The proliferation of non-standard mortgages is predictable when the current high interest rates are considered, but their existence has made the packaging of mortgage debt somewhat more problematic.

But beyond the – it is hoped, temporarily – high mortgage rates, UK lenders concede that the incentives to securitise home loans are simply not there in the way they are in the US. For one thing, mortgage lenders in the US were driven to asset sales by the asset-liability mismatch. That is, they funded 30-year fixed-rate mortgages with short-term deposits, whose rates rose and fell in line with the market.

With virtually all UK mortgages bearing floating rates, a rise in the cost of funding a mortgage portfolio can be shifted to home-buyers with relative ease. But it is a more subtle consideration that has often deterred UK mortgage lenders from securitising their assets in line with the trend in the US.

In the US, floating-rate mortgages are reset, usually annually, at a pre-determined spread over a key short-term interest rate. The lender has no discretion to enlarge or limit the year-to-year movement in the mortgage rate. But in the UK, lenders have far more discretion – and here is the rub. Should a lender sell the mortgage to a third party with no commercial relationship to the homebuyer, there is nothing to stop a precipitous rise in the mortgage rate. And neither clearing banks nor building societies would wish to incur the wrath of customers in that situation.

Significantly, only two banks – Barclays and TSB – have so far packaged mortgages for resale to investors. All other UK mortgages sold as securities have been originated by specialist lenders who have a greater incentive to sell assets. They, after all, rely exclusively on the wholesale markets, and do not have access to relatively low-cost retail customer deposits to fund their mortgages with.

Meanwhile, the Council of Mortgage Lenders, together with the Department of Environment and the UK Treasury, has come up with a code of practice on the transfer of mortgages which, as a practical matter, makes the transfer of debt unwieldy. The code has made the securitisation of any seasoned mortgages virtually impossible, because the borrower's permission for transfer of the mortgage must be sought first.

But even on recent mortgages, where general permission has been granted, the borrower must still give consent if the original lender is no longer responsible for setting the interest rate or for establishing policies to deal with arrearages. Borrowers must be given specific information to help them decide whether they should allow their mortgage to be sold to a third party.

But even without the code of practice, building societies and banks have been notoriously reluctant to sell their mortgages, believing that to do so would cause them to sever a relationship with a valued client who could bring in other business.

The regulatory climate has also done little to stimulate the sale of mortgages for repackaging. Under BIS guidelines on international capital requirements, mortgages carry a risk weighting of only 50 per cent, unlike commercial loans which carry a risk weighting of 100 per cent. That means lenders can hold twice as many mortgages as, say, credit-card loans, for the same amount of capital.

And as a funding mechanism, off-balance sheet vehicles are still not as efficient as direct forays into the capital markets. Building societies can tap the markets with fixed-rate medium-term borrowings, and swap proceeds at rates well below London inter-bank offered rate (Libor).

Currently, the spread on mortgage-backed securities is between 25 and 30 basis points over Libor. When the cost of arranging a mortgage-backed security and the higher interest cost is compared with other capital markets borrowings, it is easy to see why so few lenders have opted for it.

Norma Cohen

Emma Walton examines the growth of leasing

The flexible source of finance

THE LEASING industry is a fast-growing, highly competitive international business. In 1986, the UK equipment leasing market was worth £5.2bn. By 1989, including individual hire purchases, it had grown to an estimated £14bn.

In recent years, leasing of plant and equipment (excluding buildings) has exceeded 20 per cent of all UK fixed investment in plant and equipment.

The Equipment Leasing Association (ELA) is the main representative body of the UK leasing industry. Its member companies' leasing business accounts for 80 per cent of all UK equipment leasing activity.

The largest volume of leasing business is in vehicles, computers and office equipment, although equipment leasing is diverse enough to include space satellites, printing presses, agricultural equipment, vending machines, shop fittings and medical and dental equipment.

Leasing offers businesses a flexible means of finance. A package is tailored to match the lessee's cash flow, which is particularly useful in seasonal industries such as farming. Finance is normally provided for the full cost of the equipment, and for most leases of up to five years fixed-interest rates apply over the length of the lease. Leasing is often one of several facilities used by a lessee to finance capital requirements.

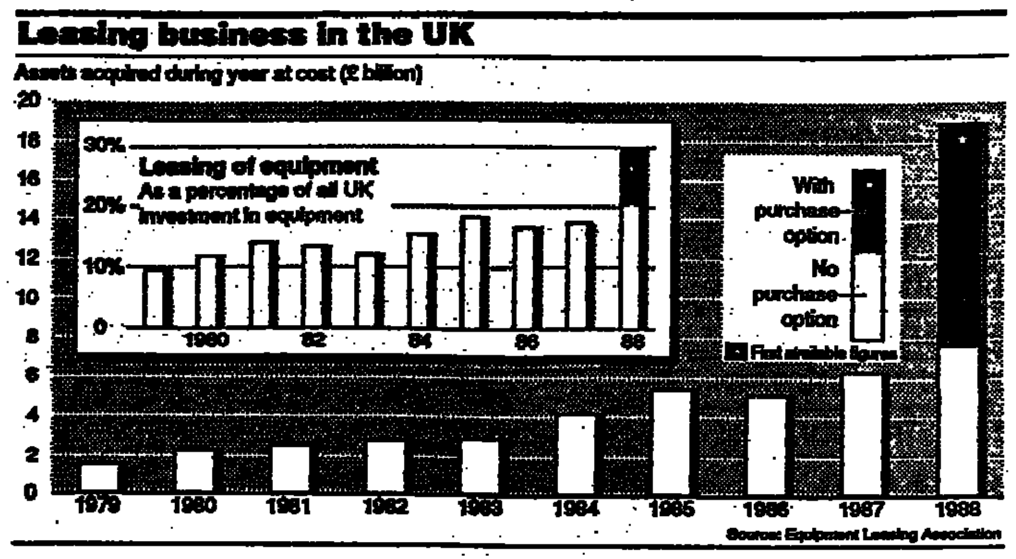
Much of the growth in the UK equipment-leasing industry, in the 1970s and early 1980s, was due to favourable tax breaks. The reduction in corporation tax since the 1984 budget and the abolition of 100 per cent first-year allowances have taken some of the shine off the industry, but there are still significant tax advantages.

Companies buying cars or equipment are eligible for an annual capital allowance, worth a quarter of total asset value, to cover depreciation, but this is restricted to a maximum of £2,000 per vehicle. So a car purchased for £8,000 would attract a £2,000 capital allowance in its first year. After the first year, the car would be worth £6,000, and so be eligible for an allowance of £1,500.

The disadvantage to companies of buying cars is that they must be capitalised on the balance sheet. Cars costing more than £8,000 must be identified separately, and cannot be included within the main expenditure pool with other plant and machinery.

Leasing business in the UK

Assets acquired during year at cost (£ billion)



Source: Equipment Leasing Association

To overcome this, companies, instead of buying, can contract-hire. Contract hire has grown considerably at the expense of outright purchase – from 290,000 cars in 1982, to 817,000 in 1989, representing 26 per cent of the total company-car market.

The benefit of an operating lease, or contract hire, is that the company can claim annual tax relief on the total fee paid to the hire company, and that the assets are kept off the company balance sheet. Many contract-hire firms also provide a fleet-management service. For a fixed fee, the leasing company takes care of all repairs and servicing, insurance and replacement cars.

Lex Vehicle Leasing is Britain's largest vehicle contract hire company, operating over 50,000 cars and light vans. Mr Tony Hoskins, marketing director of Lex, thinks that in the future, as time pressures mount, fleet operators will want an increasing level of service.

In January, Lex launched Goldshield, which offers on-the-spot and post-incident management in the event of an accident or breakdown. The service is available free to Lex customers, 24-hours a day, 365 days a year, via one free telephone call.

The British Vehicles Rental and Leasing Association (BVRLA) represents about 220 rental and leasing businesses, which operate 70 per cent of the UK's leased cars, either under contract hire, or as part of a fleet-management scheme. The BVRLA estimates that the UK has 1.4m cars, vans and commercial vehicles in leasing contract-hire or fleet-managed schemes.

Size of the UK leasing market (1988)

Cars	£1.74bn
Commercial Vehicles	£1.07bn
Computers and office equipment	£2.06bn

Source: ELA

In 1989, the UK market for large main-frame computers was around £650m, with the market for mid-range mini computers, at £1.5bn, roughly the same as the market for personal business computers.

Atlantic Computer Services is the world's leading specialist computer leasing company, with a turnover in 1988 of more than £750m. The US is its most important market, accounting for 40 per cent of turnover. Western Europe accounts for a further 40 per cent of business, with the rest of the world making up the total.

Countries' computer needs vary. According to Mr Neil Ashworth, director of marketing for Atlantic Computers, the large number of small and medium-sized businesses in countries such as Italy, France and Germany means there is a large market for mid-range mini computers. Overall, the market for mainframe computers is depressed, and is likely to remain so.

The trend towards people working from home could have major implications for the computer industry. "The big growth is in work-stations and PC-based work systems. In terms of total value, mainframes would continue to decline," said Mr Ashworth. "Computing power would go more to the end-user."

Atlantic provides a "flexible leasing scheme", whereby leases are offered over a five-year period, after which Atlantic sells the equipment, relying on the strong second-hand market for computers. This service provides customers with a cost-effective way of keeping up to date with changes in technology.

The main competitors of a company such as Atlantic Computers are the computer manufacturers. In order to hold on to their existing customer base, many have set up their own leasing departments.

Although most leasing business is done in cars, computers and office equipment, a flourishing market also exists for "big ticket" issues involving the purchase of ships, tankers, aircraft, oil refineries and large plant and machinery.

Summit Group consists of a group of companies operating within niche areas of the financial services and property markets. Summit Financial Services specialises in structuring and arranging finance for high-value assets, including aircraft, ships, major items of plant and machinery, as well as industrial and commercial property.

Major transactions undertaken in 1989 included an £80m lease financing for a processing and bottling plant for Cadbury Schweppes, and advising on a £58m lease for an unleaded petrol production plant for Mobil Oil UK.

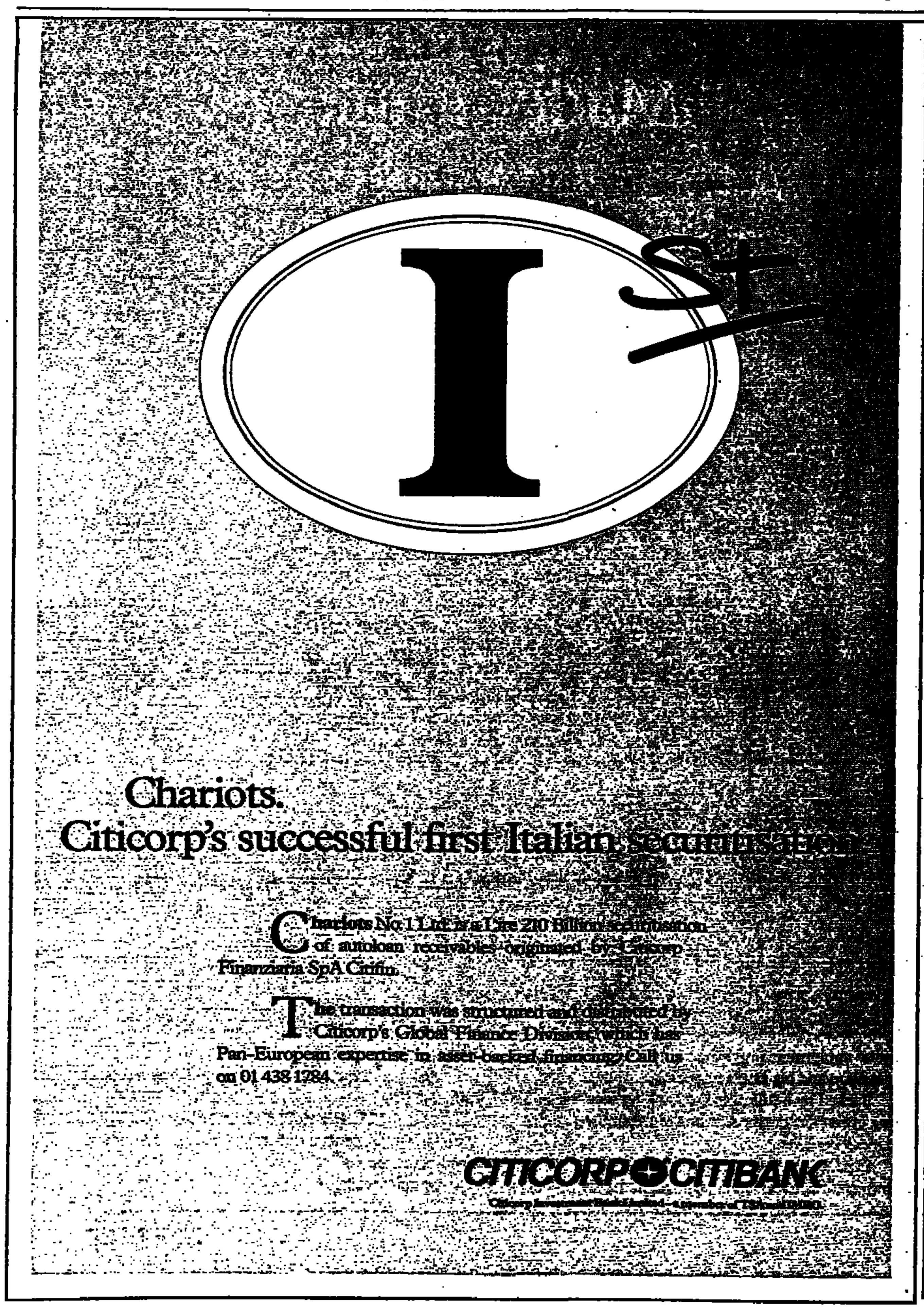
Most big-ticket leasing is conducted across national barriers. West Germany, the UK and France are the major players in European Community leasing. However, the tax treatment of leasing differs from country to country.

In France and West Germany, assets can be written off sooner; within a five- to 10-year period, against the UK's average write-down period of 16 years. The UK is also at a disadvantage in the overseas leasing business. The allowance on an overseas lease is only 10 per cent, compared with the domestic capital allowance of 25 per cent. Many UK leasing companies work through associated companies overseas, and so avoid the need to register deals on UK balance sheets.

The ELA has been lobbying both the Inland Revenue and the EC for a change to Section 70 of the 1982 Finance Act, to permit writing-down allowances on leases written by UK lessors to lessees based in other EC member states.

In terms of future developments in leasing, the EC may seek to harmonise corporate taxes across the member states. Leveraged leasing may start to appear in the UK. This form of leasing involves the lessor having between 20 and 25 per cent as equity, with the rest borrowed from a third party, possibly a bank. It can have certain balance-sheet advantages for the lessor. The bank would get its repayments from the rental stream.

Increased European competition in leasing may boost the attractiveness of leasing for large-scale capital investment in the UK and the EC.



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IN OTHER WORDS, ARTHUR ANDERSEN.

Our experience is probably the most extensive in Europe today. We've worked on transactions involving credit card receivables, mortgage-backed securities, motor loans and third world debt.

We know the many different securitisation structures which have been designed to suit particular markets and their participants. (And several which are being developed).

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Stephen Fidler sees short-term constraints on growth in the markets of continental Europe, but...

Cross-border lending may provide a spur

HOPES ARE high for significant growth in the market for asset-backed securities in Europe.

As barriers to capital movements in western Europe crumble, the prospects are for greater uniformity among the now widely-different financial systems, and more opportunity for cross-border lending in mortgage and other retail markets. Those cross-border lenders without access to domestic deposits could provide a significant spur to securitisation.

But that prospect is a long time in the future. In the short-to-medium term, the constraints on growth are considerable. While an explosion is unlikely, significant expansion is probable. For that reason, markets outside the UK, which is the most developed of the European markets, are now beginning to attract the attention of many securitisation specialists.

In December 1988, the first European legislation to address the issue of the transfer and sale of financial assets was passed in France, paving the way for the securitising of a pool of 'broker' loans exactly a year later.

Two joint ventures between French banks and US investment banks — Société Générale and Merrill Lynch, Crédit Lyonnais and Bear Stearns — were rapidly established to exploit this market.

In Italy, Citicorp securitised a pool of car loans from the book of its Italian subsidiary, deciding ultimately to syndicate the issue not in the bond but in the banking market. Further deals are expected to follow.

In other markets, such as West Germany and in Scandinavia, the securitisation of financial assets is under close scrutiny, with some expectations that deals will emerge this year.

Moody's Investors Service, the US-based ratings agency, forecasts that some $1.5bn of assets will be securitised in France this year, and a further $1bn in other European countries outside the UK.

Securitisation of assets offers a way to shrink balance sheets and sidestep the constraints on the issue of new shares in some banking markets — for example, by the state-owned banks in France

But the contrasts with the highly-developed US markets are significant. Europeans are less credit-hungry than Americans, and the various national markets are significantly smaller. This means that the pools of financial assets may not, in some cases, be large enough to warrant securitisation. Given the start-up costs associated with such issues, only issuers ready and able to use the market on a regular basis are likely to find it cost-effective.

Financial institutions are often better capitalised in Europe than their counterparts in the US, and there is less necessity to lighten balance sheets. In other countries, subsidisation of mortgages makes them difficult to securitise. The strength of traditional mortgage bond markets in some countries — for example, the 200-year-old market in West Germany and those in Denmark and Sweden — is likely to weaken prospects for a novel asset-backed securities market.

None the less, European financial institutions also require to strengthen their capital under the auspices of the Basle capital adequacy regulations. Securitisation of assets offers a way to shrink balance sheets and sidestep the constraints on the issue of new shares in some banking markets — for example, by the state-owned banks in France.

Taxation, which has little bearing on the desire to securitise assets in the US, could drive some issuance in Europe.

The French market is seen by many as the most interesting. But while the new *titrisation* law has undoubtedly excited interest, many feel that its strictures may lead a number of French issuers to borrow in the international market, rather than domestically. Reconciling the demands of investors and a tightly-drafted law are difficult.

"It's the government, rather than the market, that's deciding on the structure of these transactions," says Mr Fabio Salvaggio, a vice president in Citicorp's asset securitisation department in London. This is in contrast with, for example, the UK.

For example, the rules apply only to those in the banking system seeking to shift financial assets. Securitisation cannot be used to transfer assets of less than two years' maturity, eliminating the possibility of securing credit-card receivables.

All programmes must be closed-end: in other words, it is not possible to substitute other assets for those that mature. This can reduce significantly the average life of issues, thereby lowering the economic advantage of securitisation. Some bankers believe amendment to the legislation will be necessary if a true domestic market is really to take off.

The Italian problem is somewhat different, a raft of complicated and sometimes archaic laws and practices, which is likely to mean that every deal brought to market has a singular structure.

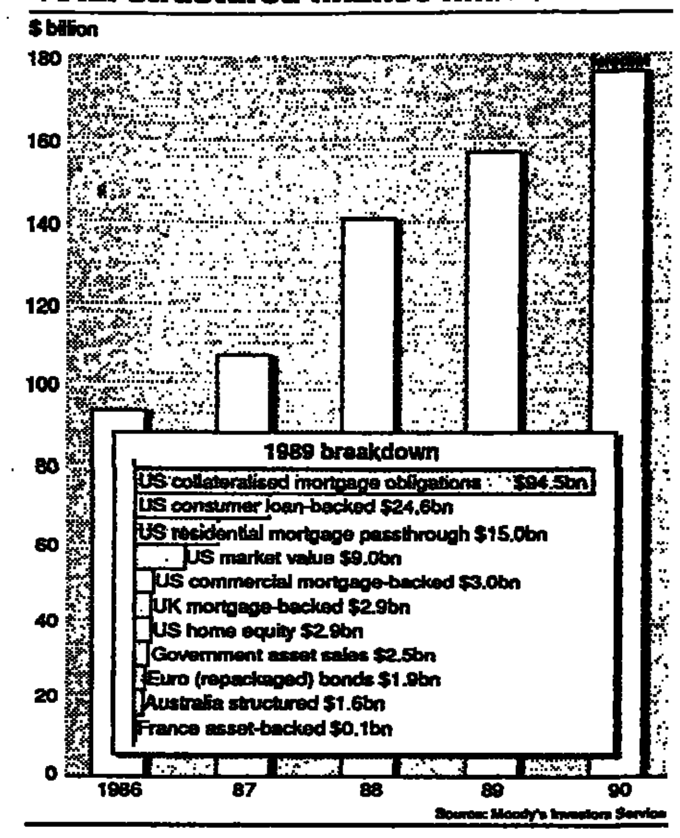
Citicorp was the first to overcome these problems, with its Chariots issue, increased after oversubscription to L220bn from the originally proposed L210bn. But others are in the market, including Salomon Brothers and Istituto Bancario San Paolo di Torino, which have established a joint venture.

One complicating issue cited by Mr Salvaggio is the Italian withholding tax, which ranges between 12½ per cent and 30 per cent. This means that the payments have to be conducted through an Italian bank branch outside the country, because remittances of interest payments to an Italian bank branch outside Italy are free from tax. Thus the payments in the Chariots deal are channelled through Banca Commerciale Italiana's London branch.

But there are also notary charges and stamp duty to consider. Furthermore, Italian law does not allow for thinly capitalised companies — such as the specialist UK mortgage lenders — to securitise issues. Every lira of debt must be accompanied by a lira of equity.

Other conventions may be more helpful. The average life of car loans in Italy is significantly longer than in most countries, because of the heavy penalties for prepayment. This means that further securitisation in this area is more likely in the short run than, say, in mortgages, the market for which is less developed than in most other countries in western Europe.

Total structured finance market



Source: Moody's Investors Service

STRUCTURING THE DEAL

Specialist insurers help cut the cost

TURNING FINANCIAL assets into securities usually involves the creation of highly complex structures, which must meet the often conflicting demands of such interested parties as investors, accountants, bank regulators, lawyers and credit-rating agencies.

Many investors are seeking securities that simulate the more conventional debt instruments to which they have been long accustomed. Yet achieving apparent simplicity can add significantly to the costs of structuring a deal.

Similarly, achieving the highest debt rating will certainly enlarge the range of potential investors for an issue, and reduce the yield that needs to be paid to attract buyers. But raising a credit rating a notch or too can, in some circumstances, cost so much more that it wipes out those benefits. Some issuers decide not to jump through all the hoops required for a top-rated issue into the public markets, and either place securities privately, or even syndicate the issue to other banks.

There is no single solution to these questions. Every user of the market has different requirements, and all labour under different regulatory and accounting requirements.

Typical of the decisions necessary is whether to opt for insurance from a top-rated company, to cover for the possibility of a shortfall in interest payments to bond holders; or whether to use a senior-subordinated structure, in which holders of subordinated debt are the first to lose out in the case of shortfalls, leaving the senior bondholders significantly protected.

Mr Stephen Olentine, head of Merrill Lynch's international asset backed securities group in London, says: "Where it's possible, we prefer the senior-subordinated structures." This, he says, is because it avoids the problems associated with third-party insurance — such as the downgrading of the insurance company, which would put the credit rating of any structure that it guaranteed in jeopardy.

For example, when a group led by Sir James Goldsmith made an unsolicited bid last July for BAT Industries, the credit rating of BAT's Eagle Star insurance subsidiary was put under review by the rating agencies. As a result, so were £3bn of UK mortgage-backed securities insured by an Eagle Star subsidiary.

Because of the limited number of potential guarantors with sufficiently high ratings, there has been limited capacity for insurance in the market, something which has made insurance expensive. Now, however, the cost advantages of the senior-subordinated structures have largely been eliminated, as a number of specialist financial guarantors have moved into the field.

For some users, senior-subordinated structures have disadvantages, and tend to be more complex than the insured issues. The subordinated tranches — usually unrated — are often illiquid and difficult to sell. Some issuers in the UK — for example, the specialist mortgage lenders — have been known to take the subordinated tranches back on to their own books. But this is not an option for banks which want to move assets from their balance sheet under Bank of England guidelines, since they would be left with some of the risk.

Attempts have been made to split up the structure further, with a lower investment grade rating being obtained for a second tranche, thereby providing it with some liquidity, and leaving a much smaller rump of unrated paper.

While having a significant potential impact on the financial markets, most such securitisations do not have much impact on the users. It matters little to an Italian car buyer to whom he is repaying his car loan.

But some structures can be potentially very significant — for example, the use of mortgage-backed issues as seen in the UK could help spread floating rate mortgages elsewhere in Europe, developing consumer choice.

In the UK, the first attempt to place fixed-rate sterling mortgage securities to finance fixed-rate mortgages was launched earlier this month by the US securities house, Bear Stearns. If a market could be found for these securities, the fixed-rate mortgage could potentially for the first time have a significant place in the UK market.

But the difficulties faced by Bear Stearns in marketing this novel paper in the UK offer an interesting insight into the issues faced by those choosing to introduce new ideas. Bear Stearns's structure followed closely those of the so-called mortgage pass-throughs, which are so familiar in the US. These are often among the simplest of structures, the interest payments and capital repayments made by mortgage holders are simply passed through to the bond holders every month.

But this simple structure has its downside for investors — they do not know how much capital will be repaid to them every month. In fact, when interest rates are falling and other bond holders are benefiting, the repayment of mortgages goes up, leaving investors with capital to invest at the lower interest rates then prevailing. This so-called prepayment risk is something for which investors have to be rewarded, and it is why even the best quality mortgage bonds carry higher yields than equivalent quality corporate issues.

US investors are well accustomed to this, and they have rafts of statistics to give them a good idea what will happen to prepayment given any shift in interest rates. But those statistics are not available in the UK, and Bear Stearns' estimate that the bonds would have an average life of almost 10 years was met with some disbelief.

The problem was that because of the UK's inverted yield curve — long-term interest rates are higher than short-term rates — if the average life turned out to be shorter, the yield premium over gilt-edged securities would narrow significantly. Many investors did not believe the yield premium, calculated at about 150 basis points, was sufficient for this launch into the unknown.

Indeed, the average life of the early floating-rate mortgage-backed deals in the UK mortgage market proved significantly shorter than was first thought, and the shorter the average life of these securities — other things being equal — the less worthwhile it is to securitise. Options to extend average life — allowing top-ups of mortgages without pulling them out of the pool and substitution for a certain period of new for maturing mortgages — were therefore introduced.

The structures now emerging, particularly in the US — for example, the securitisation of problem loans and loans to finance highly-leveraged transactions — show that the limits of what can be securitised are far from having been reached, and that the ways of manipulating cash flows into suitable securities have not been exhausted.

Indeed, there is a trend towards more complicated structures and more complex risks. The complexity of the transactions places a great deal of emphasis on the structure. Badly-structured deals which go wrong would risk frightening off investors, and do significant damage to the nascent markets of Europe and the rest of the world. This rightly places the rating agencies, with the skills to analyse difficult credit issues, at the centre of developments.

Stephen Fidler

AN EXAMPLE of car-loan securitisation, showing the complex insurance arrangements built into an offering of securities backed by US auto loans, appears on PAGE 5 of this survey

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US mortgage-backed securities are increasingly popular: **Janet Bush** explains why

Safer bonds — and with a better return

THE ISSUE of securities backed by assets such as credit cards, mortgages and car-loans is well-established in the US. The 1990s will see the development of even more sophisticated techniques, but most important will be the expanded interest in asset-backed securities among international investors.

There are a number of examples that illustrate the increasingly established nature of these securities.

In the middle of last year, Citibank issued $845m of seven-year securities backed by credit card receivables. In 1987, when the first credit card-backed securities were issued, the average maturity was around two years. The seven-year maturity of the Citibank issue provides evidence that these securities have swiftly won recognition and acceptance from investors.

According to Mr Michael Nugent, group treasurer for card products at Citibank, the issue sold out with between 50 per cent and 60 per cent going to investors who have never before bought an asset-backed issue of any kind.

In June 1989, Blackstone Financial Management, an arm of the Blackstone investment banking boutique, launched a fund aimed at Japanese investors which invests primarily in mortgage-backed securities issued by Fannie Mae. Salomon Brothers and Goldman Sachs, acting as agents, privately placed interests in the fund totalling $570m.

Blackstone launched another fund investing in Freddie Mac mortgage-backed securities, in February. This fund, which attracted investment of $531m, was the first to be sold globally to institutional investors rather than specifically to investors in Japan.

(Fannie Mae and Freddie Mac are both public companies chartered by Congress to provide a continuous flow of funds to mortgage lenders. They buy mortgages from banks and savings institutions, package them and then sell them to investors).

International interest in US mortgage-backed securities – a very large market with around $900bn outstanding at the end of 1989 compared with some $385bn of US high-grade corporate bonds – is growing quickly. Fannie Mae, which held a conference for foreign investors in New York in February, estimated at the time that international investors hold more than $10bn in US mortgage- backed securities with much of that purchased in the previous six months.

Agencies, and also commercial and investment banks, continue to come up with a bewildering array of different types of securities, tailored to the needs of different institutional investors

There are various reasons why mortgage-backed securities are increasingly popular as an investment. First, according to figures provided by Merrill Lynch Capital Markets, they beat all other fixed-income categories with a return in 1989 of 14.6 per cent, compared with the 14.3 per cent offered by US Treasury bonds and 14.1 per cent to be had from investing in corporate bonds.

They are also increasingly perceived as a safe investment, compared with other fixed-income instruments. Both Standard & Poor's and Moodys Investors Service, the credit rating agencies, have recently noted a sharp deterioration in credit quality in the corporate bond market, and predict an increasing number of defaults.

The failure of several of the thrifts (savings banks), which were major buyers as junk bonds, a number of defaults and bankruptcies by companies financed by high-yield bonds, and the collapse of Drexel Burnham Lambert have all contributed to virtual paralysis in the junk-bond market.

Against this background, mortgage-backed securities look increasingly attractive, despite chronic weakness in some areas of the real-estate market and the prospect of further selling of mortgages securities by sick savings and loans.

The strong performance of mortgage-backed securities last year came as a surprise to many analysts. Savings and loans did sell substantial amounts of mortgage securities, but there was enough demand from institutional investors to counteract this deluge of supply.

Mr Michael Grupe, a senior vice president with Kidder, Peabody, said in a study: "Despite concerns about thrift liquidations, investors simply could not resist spreads in excess of 160 basis points, and provided the marginal demand for mortgage-backed securities that maintained order amid confusion."

This year is likely to see more forced sales by thrifts: according to analysts, they could liquidate more than $100bn in the next three years, as regulators forced them to cut back their operations and so meet new capital requirements.

Fannie Mae set up a special working group in February to help the Resolution Trust Corp, the agency overseeing the bail-out of the thrift industry, in disposing of mortgage assets.

The hope is that the strong demand for mortgage-backed assets seen last year and signs of an increasing commitment by international investors will help to absorb selling by thrifts.

A trend that has already emerged in the asset-backed market is the increasing participation of commercial banks. Last September, a federal appeals court ruled that commercial banks should be allowed to package loans off their own balance sheets. The ruling applied directly only to issues of mortgage-backed securities but was interpreted as covering issues of credit card-backed securities, as well as other forms of consumer and commercial loans.

No sooner was the ruling was handed down, than Continental Bank announced that it was offering $380m of floating-rate notes backed by leveraged buy-out loans from 10 banks, the first issue of this kind. The securities were placed privately in the US and offered in bearer form in the Euromarkets.

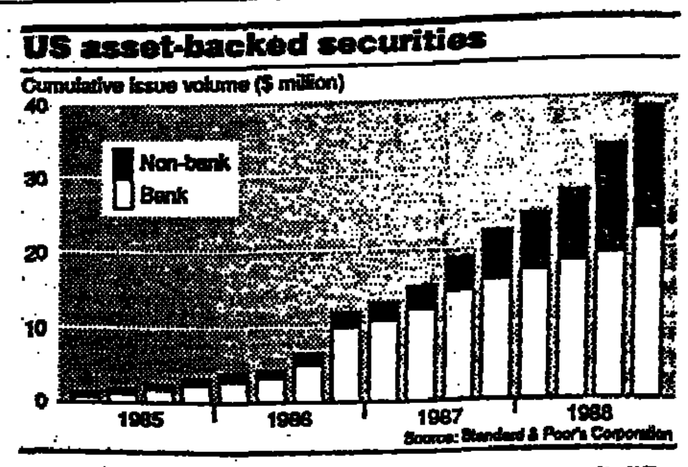
Banks have a strong incentive to securitise their assets and sell them, because this takes assets off the banks' balance sheets, freeing up capital. Banks have stepped up securitisation in response to more stringent capital adequacy requirements.

Agencies such as Fannie Mae and Freddie Mac, commercial and investment banks continue to come up with a bewildering array of different types of securities, tailored to the needs of different institutional investors.

Already quite familiar are stripped mortgage-backed securities, which separate principal and interest payments, and Real Estate Mortgage Investment Conduit (REMIC) securities, which are structured in several tranches to suit different investors.

A Californian institution is developing a security that is backed by adjustable-rate mortgages, which float off the London Inter-Bank Offered Rate. This is likely to be one of many products to come to market, as US institutions cater to the increasing interest in asset-backed securities from overseas investors.

US asset-backed securities



AVIATION FINANCE

Leasing boosts take-off

THE GROWTH in aviation finance during the 1980s has matched the remarkable increase in the size of airlines.

Indeed, the sector represents one of the fastest growing areas of international finance.

Citibank believes the airline and aerospace financing market will be worth at least $30bn a year over the next 10 years.

The role of financial institutions will be substantial. NCB Research, the Dublin-based stockbroker, believes that only 25-30 per cent of aviation funding will come from the airlines themselves. The rest will come from finance leasing, operating leasing and debt.

Reasons for the buoyant demand for new aircraft – and the financing necessary to pay for them – include:

■ *Expansion of the civil aviation market. Air traffic is expected to increase by between 6.8 per cent and 5.8 per cent a year over the next 10 years – a rate of growth that represents a doubling of air travel from 1.1bn revenue passenger miles to over 2bn revenue passenger miles by the end of the decade.*

■ *Growth in the requirements of airlines for aircraft as hub and spoke systems become increasingly important in markets such as Europe. Airlines will require additional aircraft to feed their routes from hub to hub.*

■ *Increasing demand from non-western airlines, which require modern jets if they are to compete effectively. New aircraft are far more economical than older jets.*

Much of the financing needed to fund the growth of the world aircraft fleet will be supplied by leasing companies. GPA, the Shannon-based leasing company, estimates that in 1981 only 6 per cent of the world aircraft – about 360 aircraft – were under operating leases.

By last year, the proportion had risen to 17 per cent. Within five years, the company expects that a quarter of aircraft will be financed this way.

The attractions to airlines of operating leases are considerable. Air carriers have increasingly realised that the rising cost of aircraft can present financial problems that have little to do with providing air services. The initial cost of a lease can be as little as a third of the cost of outright purchase.

By leasing, rather than buying, the airlines can also create a more flexible fleet, allowing them to mix and match their aircraft to routes, according to demand, and so maintain efficient loading levels.

A number of leasing companies have tried to meet the airlines' needs. They include GPA Group, International Lease Finance Corporation, Polaris Aircraft Leasing Corporation, and GATX, the Chicago-based leasing company.

The attractions to airlines of operating leases are considerable. Carriers have increasingly realised that the rising cost of aircraft can present problems that have little to do with providing air services

For the lessors, the market is attractive because the demand for aircraft is buoyant at the moment; and if the airline defaults on payments for an aircraft, the asset is mobile and can be quickly passed on to other customers.

Despite the growth of leasing, traditional asset-based finance continues to play a significant role. A number of merchant banks, mostly based in London and New York, but also increasingly in Tokyo, specialise in aircraft finance.

The market has proved sufficiently interesting to attract merchant banks such as Security Pacific, which launched its aircraft finance and leasing division five years ago, and Citibank which set up a new airlines/aerospace unit for Europe, Middle East and Africa in London at the end of last year.

A complete industry has built up, to provide services to the sector. Although the tax benefits of cross-border deals have declined in recent years, explains Mr Peter Thorne, a partner specialising in aircraft finance at Norton Rose, the London-based solicitors, such units still the require considerable legal and commercial expertise.

However, despite the historical growth of the civil aviation market, analysts are concerned about the vulnerability of both leasing companies and banks, if there is a downturn in the civil aviation market.

US and Canadian air carriers have recently been reporting poor results. Some, such as Braniff and Paramount, have collapsed, releasing large numbers of aircraft to the second-hand market, and in turn briefly driving down prices. The UK charter is also looking uncomfortable.

If there were a serious downturn in the market, US and Canadian carriers might try to off-load aircraft, flooding a market that is chronically short of new jets.

Such an effort by the airlines to rid themselves of excess capacity would have the effect of driving prices down. NCB Research believes a slow-down could create a 20 per cent fall in second-hand prices.

Last month, Lord King, chairman of British Airways, expressed amazement at the continuing strength of the market for second-hand aircraft. It could be that the aircraft market will follow a similar collapse to the one experienced by the highly cyclical shipping industry.

However, analysts currently see little evidence of maturation in the global air-transportation sector. If there is a downturn, it is likely to be the peripheral players, which entered the market late and had to pay high prices for second-hand aircraft, that are most exposed.

The effect of a downturn might even be to accentuate the need for new aircraft. Modern jets have lower running costs, because they are more fuel-efficient than their older stage 2 counterparts. Fuel costs increased by as much as 35 per cent in the last quarter of last year.

Manufacturers also argue that modern aircraft require less maintenance, and therefore spend more time in the air. According to the Moscow Narodny bank, as many as two thirds of the 2,680 commercial aircraft in Aeroflot, the Soviet airline's fleet, are grounded at any one time for want of spares.

Although economic pressures are more likely to drive out older stage 2 aircraft, such as the Boeing 707s, 727s, early 737s and McDonnell Douglas DC9s, one final reason why the market for new aircraft may not experience too many difficulties, is environmentalism. These aircraft can be exceptionally noisy, and may well be banned after 1995. Because of this, many merchant banks now refuse to provide funding for stage 2 aircraft.

Even if there is a downturn in the US market, the growth in western Europe and the Pacific rim area could compensate for it.

The eastern Europe market also looks as though it may be lucrative – GPA estimates that the market there could be worth as much as $15bn over the next 10 years. The Shannon-based company believes that both central and eastern European airlines will need western aircraft, or at least western engines for Soviet airframes, if they are to compete either financially, or in terms of service with western airlines for hard currency.

The short technical life of Soviet airlines may mean that much of the Soviet fleet needs to be replaced before the end of the decade. GPA estimates that Aeroflot's alone could require between 300 and 450 aircraft.

Depending upon the length and seriousness of any downturn in world aviation, the future for aviation finance could be more than healthy. NCB Research estimates that, barring a major downturn in passenger demand, there are likely to be 50 per cent more passenger jets aircraft flying at the end of the century than there are today.

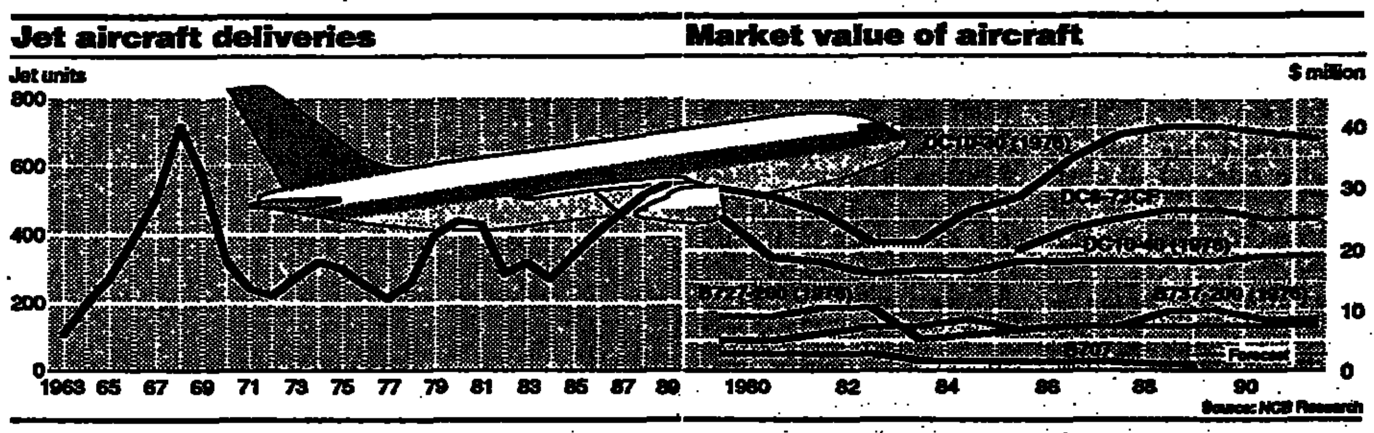
The company estimates at present there are about 8,300 commercial jet aircraft in service (excluding the USSR and China), and that 6,300 new aircraft – with more than 100 seats – will be needed to meet future demand and replacement needs.

With airlines able to fund only about a third of the necessary capital from their own resources, that should leave plenty of business for the banks and leasing companies.

Paul Abrahams

■ A 64-seat ATP: eight are leased by BA for use on flights from Glasgow to Benbecula and Manchester

Jet aircraft deliveries **Market value of aircraft**



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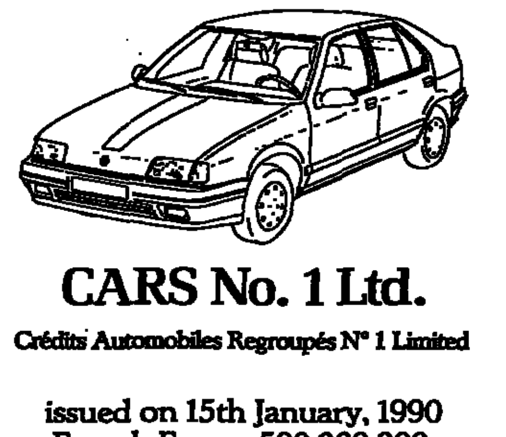

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ASSET-BACKED FINANCE 5

Despite burnt fingers, banks still want to lend to the Third World, says **Emma Walton**, and...

Commodities can provide the collateral

THE INTERNATIONAL banking community has had its fingers badly burnt from lending to lesser developed countries (LDCs). Many of the banks involved see little chance of ever recovering their money, and have effectively written off much of their Third World loan portfolio.

At the end of last month, four of the UK's largest high street banks – National Westminster, Barclays, Midland and Lloyds – announced a further £4.5bn in provisions for problem-country debt, thereby increasing total cover to an average of two-thirds of their outstanding LDC debt.

"Medium-term country lending is dead from the banks' perspective," said Mr Adrian Field, director of capital markets at Merrill Lynch, in London.

The commercial banks' reluctance to lend new money has meant that international agencies, such as the World Bank and the International Monetary Fund, have filled the gap in funding. But despite their bad experiences in the past, commercial banks, particularly those in the US, are increasingly seeking new ways to resume lending to governments in developing countries, in a way which stimulates economic growth and development within the debtor nations. This would reduce the risk of default on existing loans, and encourage the growth of export markets for the future.

Much of the existing LDC debt, at a nominal level, consists almost entirely of "general obligation" claims, in which debtor governments are committed to interest and principal payments that are unrelated to their current economic circumstances.

An alternative form of obligation is contingent debt, in which repayments are explicitly linked to a country's ability to pay. An example of this is the Garcia Plan, in which the Peruvian Government attempted to restrict its debt service to a maximum of 10 per cent of Peru's export earnings. Many middle-to-low income countries depend on commodity exports as their main source of foreign exchange and development funds. Overall, commodities account for 42 per cent of developing countries' exports.

One possible option available to LDCs is to use commodities as collateral to raise new funds. *In a discussion paper, Mr Andrew Powell and Mr Christopher Gilbert, of the Centre for Economic Policy Research (CEPR), in London, argue that "diversification of debt portfolios to include commodity contingent debt is desirable. First, this will contribute to optimal risk sharing; and second, it will reduce default risk."

Asset-backed finance using commodities is in its infancy, but the principle is not new. Ships, aircraft and any trading activity that generates a flow of income can be used to back the issue of new debt. Telephone charges and credit-card payments can all be used in asset-backed financing. The assets enhance the credit, thereby reducing the risk exposure of the banks. Last month, the US investment bank Salomon Brothers arranged the first global issue of asset-backed securities. The $1bn bond issue was backed by credit card receivables originated by Citicorp.

Asset-backed finance using commodities is in its infancy, but the principle is not new: ships, aircraft and any trading activity that generates a flow of income can be used to back the issue of new debt.

Some commodity-backed deals have been done, on the basis of projected future oil and metal exports. A private mining company in Mexico, with the help of Banque Paribas, has secured new credit based on its copper exports. Algeria has also recently secured new funds, dependent on the price of oil from the state-owned Sonatrach hydrocarbons company. This type of business is, in effect, pre-export financing.

While banks may be willing to structure asset-backed deals, there are often political considerations to take into account. Many countries are reluctant to mortgage their future export income, particularly in commodities such as oil.

In addition, price instability in the world's oil and commodities markets can cause problems for those countries that depend on a limited number of commodities for the bulk of their export earnings. This has been the case in the Ivory Coast, which is facing economic crisis due to the sharp drop in world prices for its main exports, cocoa and coffee.

While believing that asset-backed finance will play a key role in the future, Mr Mattia Nocera, vice president of Bankers Trust's emerging markets group in London, thinks that, for volume business, you need non-politically sensitive commodities, such as Brazil's pulp and paper, which is a strong export earner. It may be possible to securitise the export flow, but the risks would still need to be assessed carefully. "The whole trick is to try to minimise the country risk, so you can sell the financial commodity as a commercial risk," he said.

Another factor that has held back the growth of the asset-backed finance market in many LDCs is the presence of clauses within existing debt-restructuring agreements, which prevent the use of assets as collateral for new loans. However, under the Brady Plan, many of these negative pledge clauses are being removed. This has already happened in Mexico, which has attracted substantial amounts of new money as a result.

Even if all countries are permitted to negotiate asset-backed finance in the future, banks may be wary of lending. "You are still taking the production risk of the country," said Mr Michael Amsalem, managing director in charge of structured finance at Citibank, in New York.

If commodities are to be used to secure new finance, then commodity-price risk management is desirable. The futures and options markets may have a limited role to play. The feasibility of using financial market instruments has increased in recent years. Product innovations in the areas of futures and forward contracts, options, swaps and commodity-based bonds, as well as greater liquidity and market deepening, now make it possible to hedge against commodity exposures beyond one year.

The use of futures markets by LDCs could provide greater revenue security during the crop year, or over a metal's production period. This greater security may lower the cost of any future credit agreement.

In 1989, the World Bank's commodity risk management and finance unit started a technical development programme, to assist developing countries in using international financial markets for risk management. Countries participating in the programme include Algeria, Costa Rica, Papua New Guinea, and Tunisia.

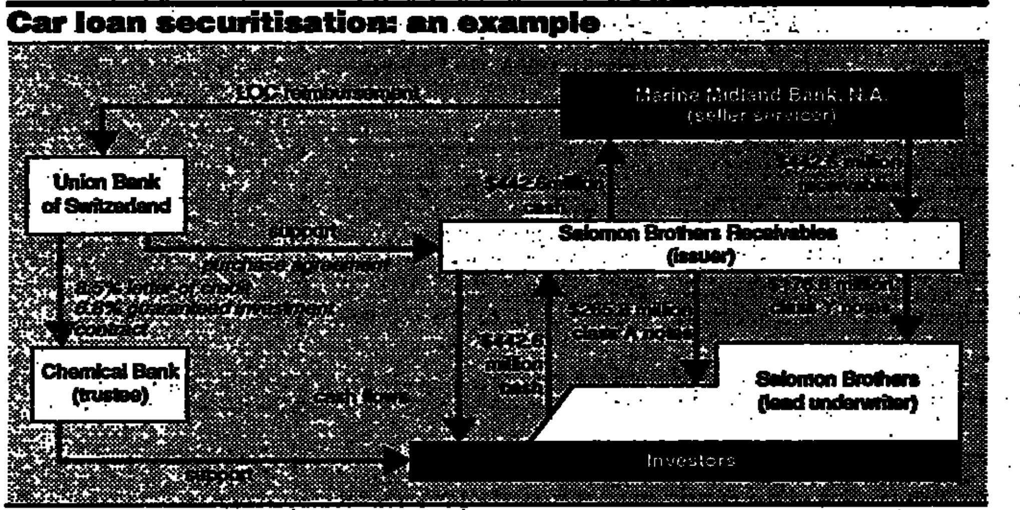
Other means of obtaining fixed commodity prices could involve the use of a third party, such as Lloyd's of London, who, for a fee, would guarantee the price. Or else, the lender, taking account of the risks involved, could provide funding at very high coverage ratios. For example, given an oil price of $20 a barrel, an annual debt payment of $100m is equivalent to 5m barrels of oil. However, if 10m barrels have to be pledged to secure the loan, then the bank is covered up until the oil price drops below $10 – an unlikely event, given existing forecasts for future oil demand.

The demise of the junk-bond and leveraged buy-out market means that asset-backed finance could become the banks' money-spinner for the 1990s.

In addition to the LDCs in Latin America and Africa, the newly-emerging democracies of eastern Europe need international funding to restructure their economies. Last month, the World Bank approved loans of $360bn to Poland. The credits support industrial and agricultural exports.

* *"Macroeconomic Interactions between North and South," edited by David Currie and David Vines (Cambridge University Press).*

Car loan securitisation: an example



THIS DIAGRAM shows the complex insurance arrangements built into an offering of securities backed by US auto loans so that investors can feel confident of receiving interest and principal payments on time. It also allows a low AA-rated bank to raise funds in the capital markets as though it had an AAA-credit rating.

At the heart of the vehicle is Salomon Brothers Receivables, which has purchased, for cash, $442.6m in auto loans from Marine Midland Bank, which continues to service the loans. Ultimately, following a circuitous route, interest and principal from car-buyers are passed through to the investors in the notes.

□

It is Salomon Brothers Receivables which has issued two tranches of notes – one maturing in two years, the other in three years – for sale to investors.

Meanwhile, Salomon has purchased a letter of credit on 8.5 per cent of the portfolio from AAA-rated Union Bank of Switzerland, to cushion cash-flows if some car-buyers default on their loans. Based on past loan-loss experience, this should be sufficient to cover the entire portfolio's non- payment.

There is also a guaranteed investment contract to make sure that the notes do not mature early. Salomon has insured 6.8 per cent of portfolio in case interest rates fall sharply and car buyers repay their loans more quickly than expected.

□

Conversely, if interest rates rise, UBS has provided a so-called purchase agreement so that if no car buyers repay their loans early, investors in the two-year "Y" tranche will still receive their principal repayments on time.

A similar policy has been provided for the three-year "A" tranche. The entire structure has been given an AAA-credit rating, even though Marine Midland carried a credit rating below AA.

Norma Cohen

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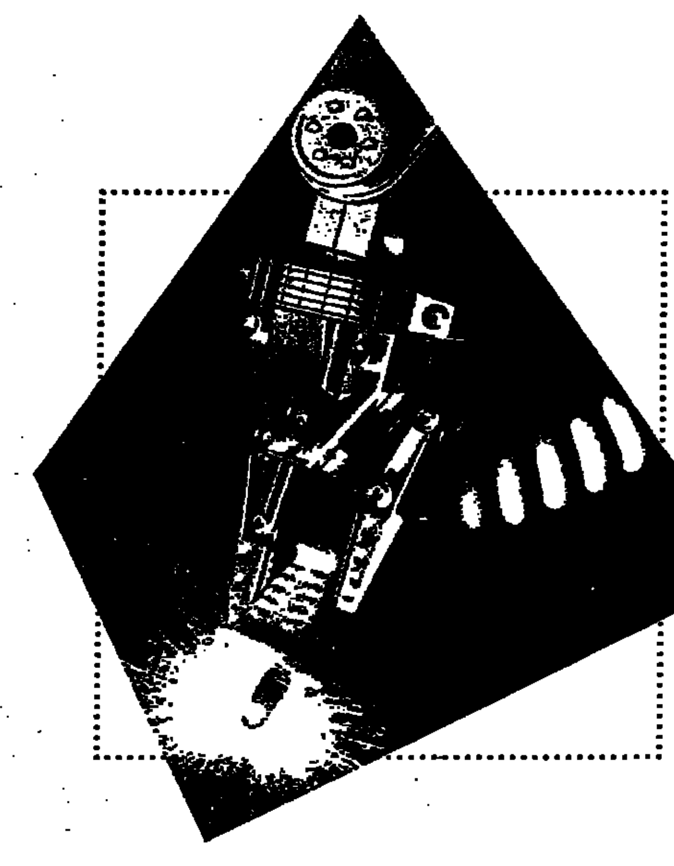

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COMMODITIES AND AGRICULTURE

Traders shell-shocked as gold price plunges $20

By David Blackwell

THE GOLD price plunged by more than $20 to $368 a troy ounce on the London bullion market yesterday – in what one shell-shocked broker described as "a massive move on one day by any standards."

The fall began in the morning on talk that a Middle Eastern seller had off-loaded gold in order to purchase £500m worth of sterling. "That's enough to move the foreign exchange markets," said Mr Robert Weinberg, precious metals analyst with James Capel. "If the purchase was funded by bullion, it amounts to 65 to 70 tonnes and that is one hell of a lot of gold, especially for London, which is a physical market."

The amount proved too much for the market to absorb, and the price tumbled rapidly through support levels as no buyers emerged. "These are very big tonnages," said Mr Andrew Smith of UBS Phillips & Drew. "It is possible there was some short selling – which would have been a very smart and very bold move. They may have had to buy the gold back at lower prices later."

The gold price, which last autumn started a firm upward rally to $425 after a two-year bear market, retreated below $400 an ounce a fortnight ago, and last week broke below the important technical support point of $395. "The near-term outlook is bleak indeed," said Mr Michael Spriggs, of Warburgs. "While the fundamentals should ensure $360 an ounce, it will have a great deal of work to do before it regains $400."

Mr Smith of UBS said the market was shocked to find itself in the new trading range and pointed out that any lingering bulls in the market had been well and truly shaken out. Speculators would be extremely cautious about any rally –"no-one will be willing to pick it up and run with it."

Apart from yesterday's Middle Eastern selling – a special factor, according to one analyst – the strength of the dollar against the D-mark and the yen, as well as high interest rates hae tempted investors away from the precious metals markets. "The lack of performance above $420 an ounce drove many investors into interest-bearing instruments," said Ms Rhona O'Connell, precious metals analyst with Shearson Lehman Hutton.

In addition, the Japanese have been selling gold to finance equity losses and raise cash before the end of their financial year on Saturday.

Yesterday's fall took the spot price through the line of the 200-day moving average ($386.90 yesterday) – a move which has only happened three times in the last 10 years. Nevertheless, the 200-day average is still rising. "It may go flat for a few days, but basically we are in a bull market," said Mr Weinberg of Capel. "If it has changed again, it would be unprecedented. It would have been the shortest, puniest bull market of all time. I just don't believe markets work that way."

Mr Smith of UBS, however, believes there never was a proper bull market by his definition – gold was not moving higher against every currency. "That's a bull market," he said, "when they dump paper for gold, and that hasn't happened this time."

● The New York Commodity Exchange (Comex) increased margins (deposits) for speculative trading in gold futures to $2,100 per 100-ounce contract from $1,700 from the close of business yesterday.

Farm Ministers cool on price compromise

By Tim Dickson in Luxembourg

AGRICULTURE Ministers of the European Community last night reacted with predictable coolness to a compromise on Community farm prices notably lacking in major concessions.

The first ideas for breaking the current deadlock – tabled yesterday afternoon by Mr Michael O'Kennedy, the Irish Farm Minster and current chairman of the EC Farm Council – included reductions in the so-called co-responsibility levies or producer taxes on milk and cereals (albeit offset, in part at least, by price cuts for those commodities), less severe price guarantee reductions than proposed by the Brussels Commission for clementines and satsumas, and the possibility of reduced payment delays for producers selling their goods into EC intervention stores.

Detailed, if mostly small modifications, were proposed for a wide range of sectors but there was no hint of any compromise on agri-monetary matters, expected to be a key issue for several member states including the UK.

Only the shrewdest observers claimed to see the outline of a Presidency strategy at this stage and even they anticipated that the meeting would continue at least until late on Wednesday and possibly longer than that. The consensus last night was that the chances of a successful outcome this week are 50/50 at best.

Mr Raymond MacSharry, the Farm Commissioner, who late last year tabled a broad price freeze, indicated last night that he could put his name to some of his fellow Irishman's ideas. But he indicated that he was in no mood to be generous to farmers by insisting that any final settlement had to respect the February 1988 "budget stabiliser" agreement and protect the EC's position in the Uruguay Round (the current international trade negotiations). He also pointed out that the world markets for milk and cereals were "deteriorating" and that it would therefore be irresponsible at this stage to give a false signal to EC producers.

The main points in the Presidency's package were as follows:

● A reduction in the basic co-responsibility levy by 1.5 per cent combined with an unspecified cut in the intervention price. (Mr MacSharry, however, made it clear that to be "budget neutral" a 4.5 per cent price cut would be required.)

● The proposal for a special aid to small arable producers would be modified in such a way that the farm size limit was set "higher than 20 hectares." (The Commission later indicated flexibility up to 25 hectares).

● "Lesser" price cuts than the Commission proposed – though again unspecified – for clementines and satsumas. (Some concessions on citrus are considered essential to "buy" the support of the Mediterranean bloc).

● In the milk sector either a reduction in the co-responsibility levy by 0.5 per cent for all producers who pay it, or complete abolition of the levy for those with quotas of less than 60,000 kg (roughly equivalent to a producer with about 12 cows). At the same time there would be a reduction in the intervention price for butter, not spelt out by the Presidency but of the order of 2.5 per cent to be budget neutral, according to Mr MacSharry.

● On intervention payments the Presidency paper simply "invites" the Commission to examine "whether current delay periods are still justified having regard to interest rate changes and other circumstances." At the moment the delays are 110 to 120 days; some member states have asked that this be reduced to 30 days.

Mr Henri Nallet and Mr Gerrit Braks, respectively the French and Dutch Farm Ministers, were among those last night who criticised the new cereals proposals. Mr John Gummer, the UK's Farm Minister, was reported to feel that the compromise was "vague."

EC to tighten 'mad cow' rules

By Bridget Bloom, Agriculture Correspondent

THE "CATTLE madness" disease, bovine spongiform encephalopathy, which has killed more than 11,000 cows in Britain, is to be made a notifiable disease throughout the European Community. From April 1, all member states will be required to report weekly on outbreaks of the disease.

While so far the UK is the only country to have suffered in a major way from BSE, it has emerged recently that the Republic of Ireland has already reported 18 cases to the Commission.

According to officials at the Department of Agriculture in Dublin yesterday, the first Irish case was confirmed in late January 1989 and the latest on February 9 this year.

Although there is no positive proof, officials believe all the cases can be traced back to origins in the UK. Five of the affected animals were imported from Britain while the remaining 13 came from farms along the border with Northern Ireland, the officials said.

All these animals are thought to have eaten fodder incorporating the remains of sheep suffering from scrapie, a disease of the nervous system in sheep analagous to BSE. British scientists believe that such contaminated feed, now banned in the UK, is the most likely cause of BSE.

The UK Ministry of Agriculture yesterday welcomed the Commission's decision to make BSE notifiable, which it sees as endorsement of the measures taken to control the disease and prevent it infecting the human food chain.

These measures include the slaughter and destruction of all affected animals as well as the removal of nervous system-related offals from all animals slaughtered at over six months old for human consumption.

However, in Dublin the Department of Agriculture officials said that Ireland had no equivalent requirement. The Irish Government had not banned the use of animal protein in feed for ruminants and while all suspected BSE animals were slaughtered and buried, the use of offals from healthy cattle was not banned.

The officials noted that the disease was much more limited than in Britain, with only 18 cases over 13 months in a cattle population of seven million, while scrapie was nothing like as prevalent in sheep in Ireland as in mainland Britain.

According to the UK Ministry of Agriculture, as of March 22, a total of 11,244 cases of BSE had been confirmed, a rise of 1,500 since early February, or more than the 500 cases a month which had been notified over the past year or so.

Officials accept that the rise in notifications could be related to the increase in compensation for affected animals announced by Mr John Gummer, the Minister of Agriculture, on February 13.

Meanwhile, a further measure of control over BSE is expected to be approved by the Commission later this month when certain bovine offals from the UK will be prohibited for pharmaceutical use.

According to veterinary officials these will include placental tissue, serum and foetal calf serum and other lymphoid tissues. Ministry of Agriculture officials said yesterday that the UK pharmaceutical industry had already been "guided" not to use such offals.

The EC has also banned, from March 1, the import into other EC member states of live animals over the age of six months. In addition West Germany has an informal ban on all beef from Britain which is still on the bone.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	+4,575	to 82,350
Copper	−2,925	to 72,075
Lead	+6,850	to 23,325
Nickel	+1,818	to 5,760
Zinc	+100	to 51,525
Tin	+145	to 9,740

British catch down 10 per cent

By Bridget Bloom

BRITAIN'S FISHING fleet landed 10 per cent less fish last year than in 1988, reflecting the imposition of tougher quotas on North Sea fishing imposed by the European Community.

Particularly badly hit were landings of haddock, which were stopped completely in November. In the final quarter of last year, total haddock landings were 40 per cent down, though over the year as a whole they were 26 per cent lower.

In 1989 the EC's haddock quota was 62,500 tonnes, but has been substantially reduced for the current year. Fisheries ministers meeting in Brussels late last year, persuaded by scientific evidence of serious depletion of North Sea stocks of most whitefish, cut this by a further 30 per cent to 41,700 tonnes for 1990. Britain's quota for 1990 is 36,280 tonnes.

According to figures produced by the Seafish Authority for last year the drop in the total value of landings was just under £400m, or only 4 per cent, reflecting higher prices.

In 1989, Britain imported 11 per cent more fish by volume – 15 per cent by value at some £742m - than the previous year. Exports amounted to some £268m last year.

Although in some areas Britain's landings were well under quota, they exceeded their quota allocations of mackerel by 381 per cent, and of sole, herring, cod and haddock by between 100 and 113 per cent in certain locations.

Key Indicators, 1989. Seafish Authority, 10 Young St, Edinburgh.

Moscow pays up for Argentine fish

Gary Mead on a big rise in catch levies won by Menem's negotiators

ONE OF Argentina's most controversial trade agreements, on licensing Soviet fishing operations in Argentine waters, has been renegotiated on much more favourable terms to the host country.

The four-year-old accord that expired last week had not been at all satisfactory from Argentina's point of view. The yield from levies on Soviet catches had been paltry, there had been suspicions of over-fishing and the Soviets had not been using Argentine fuel and personel as agreed. So Mr Luis Otero, Argentine sub-secretary of fishing, went to Moscow looking for considerable improvements.

Ironically, the Argentine negotiators used as their model the approach adopted by the Falkland Islands Government in its licensing arrangements with foreign fleets inside the islands' 150-mile interim conservation and management zone. The Falklands earn some $50m a year from fishing licences.

ARGENTINE FISHING EXPORTS

Year	Volume ('000t)	Value ($m)
1983	198.4	177.3
1984	128.6	155.8
1985	150.4	152.2
1986	292.6	219.1
1987	241.2	267.3
1988	221.4	283.1
1989		est 300.0

Source: Argentine Ministry of Agriculture

Mr Otero's brief was to persuade his Soviet counterparts to agree to a rise in the levy paid by the Soviet fleet on the value of its catch from 3 per cent to 12 per cent. In this he was successful and, according to estimates based on last years figures, the levy will raise between $2.5m and $3m in 1990. Mr Domingo Cavallo, Argentina's Foreign Minister, believes that figure is too conservative, however. He expects the increased levy to yield between $6m and $7m this year, up from abpout $600,000 in 1989.

Under the original 1986 accord, signed by Mr Dante Caputo (then Foreign Minister) on behalf of Mr Raul Alfonsin's Government, Soviet fishing vessels were permitted to catch 180,000 tonnes of fish a year, with a maximum of 18 trawlers operating at any one time. According to independent observers, in its best year between 1980-85 the Soviet fleet caught just over 70,000 tonnes.

The Argentine fishing lobby has frequently accused the Soviet side of failing to keep within the catch limit. Its worry is that the domestic Argentine fishing fleet, consisting of some 310 vessels, will soon become extinct if maximum catch levels are not properly policed.

They point to the sobering example of Peru, which has dropped from being the world's number one fishing nation in 1970 (with 20 per cent of the catch total) to 14th today, (with 2 per cent), a direct result of uncontrolled exploitation of its resources.

Mr Cesar Augusto Lerena, presidential adviser on the issue, recently said that "the objectives and numerous articles of the agreement have not been fulfilled." In particular, neither Argentine personnel nor Argentine fuel have been used by the Soviet fleet, nor were internal Soviet duties removed from imports of Argentine fishing products – all part of the original agreement.

Mr Cavallo described the renewal of the accord with a 12 per cent catch levy as "very beneficial for our national interests." He added that he hoped such agreements might be signed with other national fleets.

High hopes for grain and meat exports

ARGENTINE-SOVIET trade relations do not always present such difficulties as in the fisheries sector, writes Gary Mead. September 1990 is also likely to see the renewal of a grain agreement, under which the Soviet Union will probably contract to buy between 4.5m and 5m tonnes of Argentine maize, sorghum, soyabeans and oil derivatives.

Argentina is hoping to boost its exports to the Soviet Union to pre-1986 levels, before its export figures dropped dramatically, primarily because of the Soviet switch to buying cereals from the US on subsidised terms.

Last week in Buenos Aires the 12th meeting of the mixed Argentine-Soviet commission met to discuss bilateral trade, concluding with a document signed by Mr Jorge Pereyra de Olazabal (Argentine Secretary of Trade and Industry) and Mr Alexander Kachanov (Soviet first vice-premier of foreign economic relations).

Apart from improving Argentine grain sales, the two sides have also undertaken to continue discussions on exports of Argentine meat to the Soviet Union.

Argentina hopes to persuade Moscow to purchase 30,000 tonnes of meat annually, out of the Soviet Union's total imports of between 150,000 and 300,000 tonnes. In 1981 the Soviets signed an agreement to buy between 60,000 and 100,000 tonnes of Argentine meat a year, but that has lapsed since 1988, as Soviet purchasers have switched to subsidised supplies from Europe.

The same meeting went some way towards creating mixed Argentine-Soviet companies, including one which is to be based in Moscow and will manufacture sports clothing for some 1,200 sport centres in the Soviet Union.

Other projects include the possibility of Argentine companies working in the Soviet Union to develop improved meat refrigeration and packaging plants.

President Menem, who is fond of explaining his controversial domestic economic policies as being part of a general world collapse of ideological frontiers, is clearly hoping that commercial barriers will also soon start to be torn down. If not, Argentina's historical dependence on commodity exports could become a serious economic liability.

WORLD COMMODITIES PRICES

MARKET REPORT

BASE METAL prices declined across the board on the LME yesterday. Copper retreated under further liquidation and fresh selling in spite of a fall of 2,975 tonnes in LME warehouse stocks, which now stand at an eight-month low of 72,075 tonnes. In contrast, lead stocks rose sharply – 6,850 tonnes were delivered into the LME's Singapore warehouse and several UK and European warehouses, alleviating the extreme tightness of nearby supplies, traders said. Cash lead fell £50 to £607.50 a tonne. A rise in nickel stocks helped to push prices down. On the Baltic Futures Exchange dry cargo freight futures for April fell through the psychological support level at 1,500. The market was again under pressure as further falls in freight rates were recorded from the US Gulf to the Continent, dealers said. In Chicago soyabeans were higher by midsession; the market was underpinned by the continuing financial chaos in Brazil which has frozen soyabean business, leaving the US the main supplier. The coffee markets in both London and New York are still waiting for firm news about Brazil's exports. London robusta prices closed down; New York was mixed at midsession.

Compiled from Reuter

London Markets

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	740	736	744 737
May	752	750	764 759
Jul	764	764	778 762
Sep	778	778	790 776
Dec	802	800	811 800
Mar	821	818	831 819
May	835	831	844 832

LONDON METAL EXCHANGE

	Close	Previous
Aluminium, 99.7% purity ($ per tonne)		
Cash	1580-2	1600-2
3 months	1564-5	1603-4
Copper, Grade A (£ per tonne)		
Cash	1592-3	1650-2
3 months	1589-1	1609-9
[illegible]	[illegible]	[illegible]

New York

[illegible]	[illegible]

Chicago

[illegible]	[illegible]

US closing prices were not available for this edition because of the temporary widening of the UK/US time gap.

LONDON STOCK EXCHANGE

FT-SE Index regains the 2,300 area

BETTER TIDINGS from both the domestic and international fronts brought a further advance in the UK stock market yesterday, helping the Footsie Index to challenge the higher end of its recent trading range. The Index broke through the 2,300 mark at mid-session, although this level was lost well before the close and turnover remained relatively low.

The session started well with sterling strong on the back of encouraging comments from Mr John Major, the UK Chancellor, on the outlook for domestic interest rates and for full UK entry into the European Monetary System; also helping London was the Tokyo's powerful advance overnight.

Share prices were spurred on by technical factors which often reflected the approaching end of the first trading quarter of the year. The stock market closed the final quarter of last year at FT-SE 2,422.8 and the swift rally from 2,211 since the beginning of this month has repaired some of the damage suffered by equity portfolios.

The market was also driven forward yesterday by a squeeze on positions in the Footsie futures contract which showed a premium of 20 points at best.

At the peak of the day, the Footsie Index showed a gain of 23 points at 2,306.9, the best level seen since February 19. But turnover was sluggish and share prices fell back after a spokeswoman for Britain's opposition Labour Party said that the future for the recently-privatised water industry is high on the Party's agenda. The final reading showed the FT-SE Index at 2,298.2, a net gain of 14.3.

The slowdown after lunch in part reflected the impact of yesterday's change in trading hours in the London equity market, which now officially opens at 8.30am and closes at 4.30pm. Leading marketmaking firms switched off their screen price quotations promptly at the new time yesterday, raising some queries over the future trends of trading in the big transatlantic stocks in London. Yesterday's Seaq volume figure of 358.3m shares indicated slow trading, but was not strictly comparable with Friday's 441.6m because of the changed trading hours.

London will now be officially closed even earlier in the New York trading session, although business in the international stocks is expected to continue off the Seaq screens. Strauss Turnbull, the Societe Generale subsidiary which accounts for at least half London's turnover in American Depositary Receipts (ADRs), is to quote on its 43 Footsie stocks until after after 9.00pm.

The sharp fall in gold bullion prices in London was quickly reflected in losses in the gold producing issues, in which turnover is now light in the UK market, and also in the active mining heavyweights, such as RTZ.

Account Dealing Dates

*First Dealings:	Mar 12	Mar 26	Apr 9
Option Declarations:	Mar 22	Apr 5	Apr 26
Last Dealings:	Mar 23	Apr 6	Apr 27
Account Day:	Apr 2	Apr 17	May 8

*New time dealings may take place from 8.00 am two business days earlier.

Water stocks suffer

A hard-hitting speech referring to the possibility of renationalisation of the recently-privatised water companies, given by Ms Ann Taylor MP, Labour's spokeswoman for environmental protection, at the FT conference on the European Water Industry, gave a severe jolt to the water stocks.

Ms Taylor said "Labour are committed to public control and ownership of the water industry". The Labour spokeswoman added that "whatever form of public ownership is introduced shares will be bought at the market price."

One dealer said the speech triggered a bout of pressure which "bordered on panic selling." Mr Andrew Stone of Hoare Govett said he thought a Labour Government would regard the possible renationalisation of the water stocks as "a low priority," and that "this is probably the low point regarding the political worries."

At Smith New Court Mr Keith Sykes said taking the water stocks back into public ownership would mean any government would "have to raise a hell of a lot of money over the next ten years," but he warned that "the (political) case may be rattled a few more times." The Water Package dropped £43 to £1560.

Deal falls through

Supermarket group Wm Low rose 12 to 302p following news that talks to buy a number of shops from Isosceles, the parent of the Gateway food retail chain, had broken down on Friday evening.

"Investors thought they were going to be hit with a wall of paper and with the deal having fallen through that isn't going to be the case," said Mr Bill Currie at Hoare Govett. "For William Low it was a good long-term deal and it's a pity it has fallen through. They will now have to grow organically."

Mr Philip Dorgan at Goldman Sachs said that whereas before the breakdown of talks he had advised investors to sell Wm Low, now they should hold their stock. He added that Sir Ron Brierly, the New Zealand businessman whose IEP Securities controls 17 per cent of Wm Low, may be tempted to top up his stake on any sign of weakness.

GEC downgraded

The spate of profits' downgrades for GEC continued yesterday when County NatWest became the latest house to cut its expectations. Several brokers, including UBS Phillips & Drew, Shearson Lehman and Kitcat & Aitken, have lowered their forecasts in the past two weeks.

County lowered estimates of 1990 pre-tax profits from £910m to £885m and for 1991 from £1050m to £990. Mr Ian Macleod at County said the reductions were the result of a difficult year for GPT, the telecommunications company formed by GEC and Plessey. Also, the Plessey businesses acquired last year after the long-drawn out takeover battle, are not performing as well as had been expected.

But County re-emphasised its positive stance on the stock. "We're looking for 10 per cent earnings growth next year on the basis that GPT should should perform better." GEC shares were 3 ahead at 208p on moderate turnover of 1.2m.

Berisford International added 6 at 140p on news that a £100m management buy-out of its UK property development arm is expected soon. "On the face of it, a reasonable price," said one analyst. Berisford was also helped by an announcement that Mr Larry Goodman, the Irish businessman, had raised his stake to 13.1 per cent last Thursday when he bought 750,000 shares at 132p.

A County NatWest recommendation that investors switch into Ranks Hovis McDougall from Unigate caused the former to rise 7 at 390p, while the latter, up 1 at 291p, lagged the market.

Polly Peck remained a firm market ahead of its final results on Thursday. Profits of £158m are expected against £112m last time. Polly Peck closed 7 higher at 400p, 25 above the price prevailing at the same time last week.

Tate & Lyle was up 7 at 398p following weekend press reports that a European sugar company could join it in a bid for Berisford. Tate said the suggestions were premature. Northern Foods climbed 8 to 322p as Kleinwort Benson put out a buy note. Kleinwort said it believed Northern Foods was the most fundamentally attractive stock in the food manufacturing sector.

The banks moved ahead strongly with sentiment said by dealers to have been boosted by news of the merger talks between AMRO and ABN which they said highlighted the attractions of the European banks pre-1992.

The suspension of London United and possible implications had little or no effect on the insurance sectors, according to one trader in the stocks. Prudential were in demand and closed 3 higher at 206p ahead of today's preliminary figures which BZW expect to show pre-tax profits of £345m against last time's £339.6m.

Interim pre-tax profits from Lloyd Thompson, the insurance broker, came out at £4.03m against a comparable figure of £2.87m and market forecasts which were generally in the region of £3.4m. The dividend was as expected. Lloyds' shares edged ahead to close a net 2 higher at 271p.

RMC, the construction group, were outstanding with a rise of 10 to 168p on excellent preliminary profits of £5.31m compared with £3.61m, and a total dividend payment increased from 8.75p to 9p.

"A bear squeeze on the back of the futures market" is how one marketmaker described the rise in ICI where the shares closed 6 higher at 1144p.

The prospect of currency gains on the back of a stronger pound helped British Aerospace recover some ground. After allowing for the 14.6p dividend deduction, the shares rallied from 490p to close up 9½ on the day at 499p.

Also ex the dividend payment was Rolls-Royce, but the shares remained a good market and settled 4½ higher on balance at 190p after turnover of 7.6m shares. There was active buying of calls in the traded options market yesterday.

Hawker Siddeley added 4 to 654p, ahead of tomorrow's full-year figures. Attention is expected to focus on the new corporate strategy which the company is due to reveal at the same time.

Mr Rory Seewtman at BZW predicts 1989 profits of £200m with the figures showing a slow-down in growth between the first and second half. He was cautious on the reorganisation plans, however, and said: "I will suspend judgement until I see the nature of the reoganisation."

Smiths Industries closed a penny lower at 245p. Explaining the dullness, Mr Clive Forrestier-Walker at Kitcat & Aitken said: "The fall in the share price has been overdone owing to the short term financial affect of the recent strikes." Kitcat has published a review on Smiths Industries which is due to land on investor' desks this morning.

TT Group moved 4 higher to 117p after reporting greatly improved figures. Profits rose from £3.6m in 1988, to £8.4m for the year to December 1989.

BBA closed 2 down at 149p, having opened lower following the dividend deduction. A single buyer picked up a block of ½m shares earlier in the day and later a large line of stock was placed in the market.

Lucas followed the market, adding 7 to 625p in the process. Turnover, however, was meagre. BZW yesterday trimmed its profit estimates for the current year by £2m to £200m. The securities house blamed weaker second-half results from other motor component suppliers and said future growth was likely to stem from the aerospace division.

Lancaster advanced strongly after the company said it was in talks which may lead to an offer being made for the company. They closed 53 up at 131p.

Thorn EMI remained under pressure, dropping 9 more to 686p amid talk of more profits downgrades.

Weekend press suggestions that tomorrow's year-end figures from Kingfisher would be at the top of the analysts' range of forecasts at around £200m helped the shares. They climbed 8 to 288p.

Next and Storehouse both weakened against the market trend as dealers and analysts examined last week's chunky trade in the stocks. Close examination of these Seaq trades had led some traders to the conclusion that at the start of yesterday's session, there were lines of up to 3m Next and 1.7m Storehouse overhanging the market. Next turned over 3.5m shares yesterday, which, said dealers, would have gone a long way to eliminate the overhang. Volume in Storehouse reached 1m shares as the price eased 2 to 118p.

Next fell the same amount to 92p. Bearish comment in the weekend press on the likely effect of the poll tax, or community charge, on consumer spending did not help sentiment in either stock.

The news that a Paris-based company, Bernard Krief Consultants, had offered $120m for Hay, Saatchi and Saatchi's biggest consultancy, led to a short lived rally in the shares. The announcement appeared on news wire services rather than the Stock Exchange announcement service. Dealers received the news at different times, with some being taken by surprise. The shares were 8 better at one point, but subsided to 133p, a rise of 2 on the day.

Mr Brian Sturgess, the agencies analyst at BZW, said that the price offered was in the expected range, but that Saatchi might hold out for more. He said the offer may have been made public to encourage the City to press Saatchi to accept it. The advertising agency put its consultancies up for sale last June to help it cope with a sharp reduction in earnings.

A profit warning from Parkland Textile left the shares 25 down at 215p. The company said profits are likely to be about £2m, compared with £2.8m last year.

Ramar Textiles recovered 3 to 17p after revealing that, at the half-way stage, the company had fallen from a profit of £426,000 to a loss of £252,000. Dealers said the shares had fallen a long way and that the worst was now behind the company.

P & O firmed 10 to 617p ahead of finals today, while Bowater climbed 20 to 555p with full-year results out tomorrow. London & Edinburgh Trust was unchanged against a higher market as a large seller was noted. Press reports that a consortium involving Wasa, a Swedish insurer, had made the bid approach to LET last week failed to move the market.

Frogmore Estates was marked 14 higher to 440p as traders got wind of a buyer hoping to pick up 500,000 shares early on. Laing Properties fell 32 to 651p as dealers reckoned that P & O and Chelsfield were less likely to succeed in their bid attempt after Laing revealed a higher-than-expected net asset value of 910p last week.

Central Independent Television continued to weaken as brokers cut their profit forecasts in the wake of last week's disappointing figures. The shares lost 21 more to 732p.

Carlton Communications continued its seemingly inexorable decline by easing another 9 to 671p. The current bout of weakness was triggered last week by news that a long-running dispute of patents was set to continue for the foreseeable future. Yesterday dealers said that renewed attention given to the stock by analysts was leading them to ask how recession-proof the stock was and whether it deserved its premium rating.

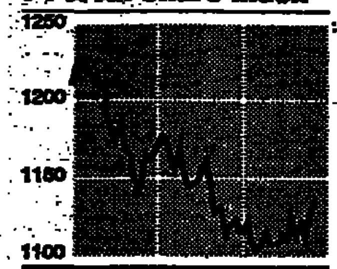
Dealers explained Blacks Leisure's rise of 13 to 72p by saying that the shares had fallen a long way recently and speculative buyers were expecting to see a recovery.

Mecca Leisure continued last week's weakness, albeit at a reduced rate. The shares shed 2 at 123p. There is some nervousness ahead of figures expected next week. A measure of analysts' caution was that yesterday two would not comment on the record. One said that the fall was overdone, and the other that the uncertainty was justified.

USM-quoted store William Bedford slumped 14 to 36p as the company warned that trading in "the first two months of this year has shown a considerable deterioration" in an already difficult year.

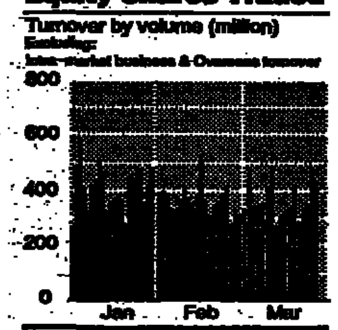
■ Other Market statistics, including the FT-Actuaries share index, Page 28

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (33). BRITISH FUNDS (1) BANKS (1) BREWERS (3) CHEMICALS (1) ELECTRICALS (3) INDUSTRIALS (3) Courtaulds, Eurocopy, Jardine Hldgs., TRANSPORT (1) TRUSTS (1) OILS (2). NEW LOWS (66). BRITISH FUNDS (1) BANKS (1) BREWERS (1) BUILDINGS (4) CHEMICALS (1) STORES (1) ELECTRICALS (1) ENGINEERING (3) FOODS (1) INDUSTRIALS (14) Bluebird Toys, Bridport-Gundry, Continuous Stationery, Cookson, Courtwell, De La Rue, High-Point, Optometrics, Reed Executive, Select Appointments, Shaw (Arthur), Third Mile Inv., Unigroup, Widney, LEISURE (1) MOTORS (1) PAPERS (1) PROPERTY (1) TEXTILES (1) TRANSPORT (1) TRUSTS (1) OILS (1) MINES (1) THIRD MARKET (1).

FINANCIAL TIMES STOCK INDICES

	Mar 26	Mar 23	Mar 22	Mar 21	Mar 20	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	78.72	78.28	78.03	75.91	78.79	85.10	89.29 (8/2/89)	75.91 (21/3/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	85.29	85.12	85.98	86.14	86.57	98.79	99.59 (15/3/89)	85.12 (23/3/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1813.5	1799.1	1779.1	1771.4	1777.6	1608.4	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	273.6	284.9	290.9	294.7	295.5	193.8	378.5 (8/2/90)	164.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2298.2	2283.9	2268.9	2263.3	2259.7	2057.0	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.88	4.92	4.97	4.98	4.94	4.54				
Earning Yld %(full)	11.61	11.69	11.81	11.75	11.72	10.99				
P/E Ratio(Net)(*)	10.44	10.38	10.28	10.30	10.32	10.96				
SEAQ Bargains 4.45pm	26,939	32,781	31,467	25,786	23,363	26,098				
Equity Turnover(£m)†	-	723.45	932.90	844.87	679.77	930.05				
Equity Bargains†	-	34,261	32,882	34,655	25,394	30,898				
Shares Traded (ml)†	-	430.0	478.2	360.1	334.1	408.9				

Ordinary Share Index, Hourly changes — Day's High 1818.1 — Day's Low 1802.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1802.6	1810.9	1811.3	1813.5	1815.5	1816.8	1818.6	1817.9	1814.9

FT-SE, Hourly changes — Day's High 2306.9 — Day's Low 2286.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2286.4	2298.4	2297.3	2298.9	2306.7	2306.4	2306.1	2304.3	2299.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. e Nil 10.56.

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value of the five-day average of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 31 available on request. London report and latest Share Index: Tel. 0898 123001.

GILT EDGED ACTIVITY

Indices	Mar 23	Mar 22
Gilt Edged Bargains	107.1	99.3
5-Day average	101.0	94.9

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for some Alpha securities dealt through the SEAQ system yesterday until 4.45 pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989/90 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1989/90 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1989/90 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1989/90 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45½	34½	Consols 4pc	39½	+¼	11.35	
40½	30½	War Loan 3½pc	31⅛	+⅛	11.18	
70½	56¾	Conv. 3½pc '61 Aft.	57¼	+⅛	6.11	
41½	29½	Treas. 3pc '66 Aft.	28⅞	+⅛	10.55	
30¼	21¾	Consols 2½pc	22⅛	+⅛	11.27	
29½	21½	Treas. 2½pc	21⅞	+⅛	11.43	

Index-Linked

BRITISH FUNDS—Contd

1989/90 High	Low	Stock	Price £	+ or -	Yield (1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1989: 115.5 and for February 1990: 120.2.

INT. BANK AND O'SEAS

1989/90 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1989/90 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1989/90 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.40	14.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.33	9.33

LOANS

Public Board and Ind.

1989/90 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
47	41	Met. Wtr. 3pc 'B'	41	[illegible]	7.32	11.89

FOREIGN BONDS & RAILS

1989/90 High	Low	Stock	Price £	+ or -	Div. %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1989/90 High	Low	Stock	Price	+ or -	Div. Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1989/90 High	Low	Stock	Price	+ or -	Div. Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1989/90 High	Low	Stock	Price	+ or -	Div. Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

US oil man to become ICI finance director

IMPERIAL CHEMICAL INDUSTRIES, Britain's biggest chemicals company, has appointed as its next finance director a former treasurer of Chevron, the US oil company, *writes Peter Marsh.*

Mr Colin Short, aged 55, has worked in a number of positions in Europe and the US for Chevron and Gulf Oil, a company taken over by Chevron in 1984.

The Welsh-born Mr Short becomes an executive director at ICI on June 1 and takes over as finance director in December from Mr Alan Clements, who is to retire on reaching the age of 62.

The appointment of an executive with wide international experience reflects ICI's growing interest in expanding outside the UK. Only about a quarter of its sales last year of £13bn were in Britain.

Sir Denys Henderson, chairman of ICI, said he was delighted Mr Short had decided to join the company. He said Mr Short's range of international experience "will complement the strengths" of ICI's finance team.

Prior to joining Gulf Oil in 1968 at its London office, Mr Short worked as an accountant with Peat Marwick Mitchell, finishing as a partner in the firm's Nassau practice.

Mr Short served as vice president and treasurer of Chevron at its San Francisco headquarters from 1984 until last year. ICI said last night that it had been in negotiation with Mr Short about the appointment for several months.

■ EAGLE STAR has appointed in the life and investment services division Mr Ian Owen as divisional director, personal life and investment business in the UK, and Mr Roger Townsend as divisional director, information technology and business systems. Mr Owen was chief executive and actuary of Eagle Star International Financial Services. Mr Townsend joins from C.T. Bowring & Co where he was group controller of managment services.

■ Mr Cyril Newnham has been appointed a director of TELEMETRIX. He is chairman of GTI Corporation.

■ Mr Michael Charles Weston has joined the WOODGATE GROUP as chief executive.

■ Mr Stephen Haslop has been appointed finance director designate of DERWENT UPHOLSTERY. He was company accountant.

■ Mr Keith Galama has joined RHM EXPORTS as sales director. He was international marketing director with Food from Britain. Mr Tim Collinson becomes customer services manager, a new post. He joins from Colgate-Palmolive where he was export territory manager.

■ J.H. MINET & CO has appointed Mr Charles Ross as executive director, North American marine division.

■ WHATMAN, Maidstone, has appointed Mr Lawrence H. Hyde as a non-executive director.

SHEARSON LEHMAN HUTTON INTERNATIONAL INC has appointed Mr Hershel Post *(above)* as chief operating officer for Europe. He is deputy chairman of the International Stock Exchange, and remains president of Shearson Lehman Global Asset Management.

■ Mr Martin Flower has been appointed a director of COATS VIYELLA. He is chief executive of the thread division, and now additionally becomes its chairman.

■ PEEK has made appointments at two of its subsidiaries. Mr Heddwyn Davies has been made managing director of Sarasota Instrumentation, at Kings Worthy. He was director of customer projects, and Membrain, divisions at Schlumberger Technologies. Mr Ken Smith becomes president of Saratec Measurement, based at Polysonics Inc, Houston, Texas. He was senior vice president of Newport Pharmaceuticals International Inc.

■ SOVEREIGN MORTGAGE ASSETS has appointed Mr David Milner as a director. He was with Butler Harlow Ueda.

■ Mr John Dunn has been appointed vice president, human resources, Europe and international, at EMI MUSIC. He was with Roher Bibler and Replogle. Mr Simon Cox has been promoted to finance controller, international sector.

■ SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY has appointed Mr George Younger, MP, and formerly Defence Secretary, as a non-executive director. He is deputy chairman of The Royal Bank of Scotland.

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	254	+5	44c	1.4	7.8	9.1
196	134	Abbey National 10p	194	+1	5.7	4.3	3.9	7.9
*282	120½	Allied Irish Ord	262	.....	[illegible]	3.3	3.1	13.5
£13¼	£11¼	Algemene Fl.10	£13¼	.....	Q28%	2.0	6.7	7.4
*85	61	Anglo Irish	85	.....	Q18.7%	2.7	5.2	11.6
81	57	Ansbacher (H.) 1p	73	.....	2.5	1.3	4.6	21.0
£72¼	£38¼	Bancaire Cie Fr100	£64¼	–⅛	[illegible]	–	2.2	–
£46¾	£35¼	Banco Bilbao Viz	£37	.....	Q35.7%	2.0	3.9	12.8
£33	£25¼	Banco de Santander	£26½	.....	Q25%	2.4	4.2	9.9
*286	169	Bank Ireland Ir£1	262	.....	[illegible]	3.2	4.4	9.0
£19½	£17½	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	343	.....	†13.5	–	5.2	–
125	88	Bank Scotland	121	.....	†3.8	3.6	4.2	8.7
£11¼	90	Do. 9¼pc Irrd Pf	92	+½	9¼%	–	13.4	–
*67	49	Bank of Wales	52	.....	2.8	1.6	7.2	10.9
*589	404	Barclays £1	587	+11	27.4	Q3.6	6.2	5.8
31	16	Beckmark 20p	17	.....	1.63	1.0	11.3	9.3
363	285	Brown Shipley £1	313	.....	†10.5	–	4.5	–
455	325	Cater Allen £1	410	.....	23.5	–	7.6	–
259	149	Chancery	157	+1	†8.0	2.8	6.8	6.9
£23¼	£14½	Commerzbk DM10	£22¼	–⅜	Q18%	–	3.0	–
*£29	£22½	C'hgn. Hbk. Kr100	£24½	+¼	Q15%	–	5.6	–
£16¾	949	Dai Ichi KBk Y50	975	+26	†Q16%	8.8	0.3	34.9
*£314¼	£156¼	Deutsche Bk DM50	£296¼	+¼	Q24%	–	1.4	–
£22¼	£17½	Espirito Santo	£20	.....	Q75c	3.3	2.3	13.6
260	182	First Nat. Fin. 10p	222	+1	13.0	2.4	7.8	6.9
134	90	FNFC 6.3pc Cv. Pf	113	.....	6.3%	–	7.9	–
£16¾	£12½	Fuji Bank Y50	£12½	.....	Q15.6%	4.2	0.3	–
325	230	Gerrard & National	274	.....	18.5	–	9.0	–
154	118	Guinness Mahon 10p	140	.....	†2.1	–	1.9	–
328	197	Hambros 20p	277	–1	†10.0	–	4.8	–
128	90	Do. 7.5pc Cv Pf	111	+1	7½%	–	9.0	–
60	39	HK & Shang. HK$2.50	56½	–½	Q42c	–	5.8	–
495	423	Joseph (Leo) £1	458	.....	15.85	–	4.6	–
145	115	King & Shaxson 20p	138	+2	9.25	–	8.9	–

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

MINES—Contd

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
‖ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	83	......
Craig & Rose £1 γ	828	......
Finlay Pkg. 5p γ	57	......
Holt (Jos) 25p γ	1348	+5

IRISH

Cap. 8½% Ln. 1991	£96	......
9pc Cap Ln. 1996	£90¼	......
Fin. 13% 97/02	£107½	......

Arnotts	440	−10
Carrol (P.J.) γ	170	+5
Hall (R. & H.)	180	......
Helton Hldgs γ	87	−3
IRG	215	......
United Drug	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¼
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	48
Comm Union	48
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	39
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	68

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	52.62	53.16xd	56.56	-0.4	4.84
Gilts & Fixed Int	6	100.9	100.9xd	107.0	+0.4	10.28
High Inc Equity	6	132.9	136.3	145.0	+0.6	4.38
Worldwide Bond	6	198.0	198.0xd	209.8	-2.4	6.15
Capital Growth						
American Growth	6	192.9	194.7	207.2	.....	0.99
Asian Pacific	6	139.7	142.7	151.9	+2.6	0.00
Assets & Earnings	6	153.4	153.4	164.1	+0.5	2.96
Capital Reserve Acc	0	89.35	89.36	89.49	+0.11	6.70
Capital Reserve Inc	0	74.61	74.61xd	74.73	+0.1	6.65
Comdty & Energy	6	108.6	108.6xd	116.2	-2.4	0.72
Dividend & Growth	6	44.98	46.01	48.95	.....	4.60
1992 Enterprise	6	60.50	61.85	65.80	+0.02	2.43
Euro Capital Acc	6	102.2	102.2	109.4	-1.5	0.87
Euro Capital Inc	6	98.46	98.46	105.4	-1.5	0.90
General	6	170.0	170.0xd	181.9	+0.7	2.79
International	6	61.46	62.14	66.11	-0.37	0.76
Japan	6	98.20	98.20	105.1	+2.4	0.00
Mastertrust	6	89.56	89.56	95.79	+0.16	1.47
UK Growth Acc	6	174.2	174.2	186.4	+1.0	1.53
UK Growth Dist	6	115.2	115.2	123.3	+0.7	2.31
US Emerging Cos	6	57.46	58.85	62.61	.....	0.00
Income & Growth	6	299.4	302.3	321.7	+7.2	3.19
Ethical	6	47.16	47.16	50.44	+0.09	1.98

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 01-407 4404

Newton Income	6	142.6	146.1	158.5	+0.8	5.00
Newton Global	6	241.7	247.2	263.0	-0.6	2.21
Newton General	6	94.48	96.79	103.0	+0.3	4.68

PK English Trust (Inv Man) Ltd (1000)F
12 Carlsbaden St, London EC1M 6EB 01-796 1200

American*	4	64.89	65.33	68.23	.....	0.0
Far Eastern*	4	178.66	182.80	190.45	.....	0.1
Growth†	4	179.70	181.90	192.52	.....	4.1
Income†	4	133.30	134.90	143.76	.....	4.1
Scandinavian†	4	80.07	81.90	85.18	.....	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the Government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

مكتبة الأصيل

FT UNIT TRUST INFORMATION SERVICE

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd
Closed to new business

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

Three Counties Asset Mngmt Ltd (1430)F
Cathbert House, Tower Road, Washington NE37 2SH

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing—12 Noon Historic

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

OTHER UK UNIT TRUSTS

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	Bid Price	Offer Price	+ or -	Yield Gross
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	102.9	108.4	+0.7	-
Managed Growth	140.0	147.4	+0.1	-
Managed Opportunity	143.0	150.6	-0.1	-
NFMC Target Financial	100.5	105.8	+0.7	-
Pension Funds				
Managed Cautionary	107.9	113.6	+0.7	-
Managed Growth	144.1	151.7	+0.1	-
Managed Opportunity	145.1	152.8	-0.1	-
NFMC Target Mngd Pen	1517.4	1597.3	+14.4	-
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed Fund	221.0	232.6	—	-
Managed Prospect Fund	186.3	196.2	—	-
Pens Managed	289.3	304.6	—	-
Pens UK Equity	334.0	351.6	—	-
Pens Overseas Equity	417.3	439.3	—	-
Pens Property	159.9	168.4	—	-
Pens Fixed Interest	169.0	177.9	—	-
Pens Index Linked	142.2	149.7	—	-
Pens Deposit	191.9	202.0	—	-
Harvester & P.R.P.				
UK Equity	146.0	153.7	—	-
Overseas Equity	149.4	157.3	—	-
Fixed Interest	115.5	121.6	—	-
Property	133.1	140.2	—	-
Index Linked	129.2	136.0	—	-
Deposit	133.1	140.2	—	-
Managed	145.8	153.5	—	-
With Profits	136.2	143.4	—	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				
Managed	341.6	359.6	+1.8	-
UK Equity	436.4	459.4	+4.0	-
Overseas Eq	361.8	380.9	-0.6	-
American	269.9	284.2	-0.7	-
Far East	376.7	396.6	+5.2	-
Property	220.1	231.7	-0.1	-
Fixed Int	209.3	220.4	+1.2	-
Indexed Gilt	134.9	142.1	+0.7	-
Deposit	161.2	169.7	+0.1	-
Pension Fund (Accum Units)	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd — Contd.				
UK Managed Initial		115.0	(z)	-
Property Initial		165.9	(z)	-
Money Initial		79.3	(z)	-
Special Market Initial		137.3	(z)	-
Japan Equity Initial		96.0	(z)	-
North American Initial		84.1	(z)	-
Pacific Initial		80.2	(z)	-
Technology Initial		97.5	(z)	-
Nat Resources Initial		58.6	(z)	-
European Initial		108.6	(z)	-
Residential Prop Init		103.7	(z)	-
Swiss Equities Initial		36.6	(z)	-
Hong Kong Initial		50.3	(z)	-
UK High Inc Eq Init		68.0	(z)	-
Int Fixed Interest Init		47.0	(z)	-
Int Managed Init		57.0	(z)	-
HIP Managed Init		114.0	(z)	-
HIP Managed II Initial		98.6	(z)	-
Broker Funds				
High Performance	75.8	79.9	(z)	-
Towergilt Mngd Fd Acc	52.8	55.6	(z)	-
YRA Executive Fd	92.7	97.7	(z)	-
£ Global Growth Acc	130.5	137.6	(z)	-
£ High Income Money Acc	111.4	117.7	(z)	-
DM Balanced		56.3	(z)	-
H.F. Speculator Fd		159.0	(z)	-
PEP Acorn II		124.0	(z)	-
PEP Cautionary		87.6	(z)	-
AAFS Int Man Fund		120.5	(z)	-
Ambrose-Grace Inv Port		101.9	(z)	-
Individual Pension Funds				
UK Equity Acc	221.2	233.4	(z)	-
UK Fixed Interest Acc	171.3	180.8	(z)	-
Intl Equities Acc	253.4	267.3	(z)	-
UK Managed Acc	181.1	191.0	(z)	-
Property Acc	208.3	219.8	(z)	-
Money Acc	137.1	144.7	(z)	-
Special Market Acc	277.3	292.6	(z)	-
Japan Equity Acc	194.3	205.0	(z)	-
North American Acc	131.3	138.6	(z)	-
Pacific Acc	196.8	207.7	(z)	-
Technology Acc	162.2	171.1	(z)	-
Natural Resources Acc	116.2	122.6	(z)	-
European Acc	145.5	153.5	(z)	-
Residential Prop Acc	114.0	120.3	(z)	-
Swiss Equities Acc	37.9	40.0	(z)	-

	Bid Price	Offer Price	+ or -	Yield Gross
Tattersall Investment Mngt. Ltd				
Waverley Ct, Wittell Rd, Lichfield, Staffs. 0543 414848				
TIM Mngd Growth Fd	122.2	128.6	—	-
Exempt Fd (Accum)	113.1	119.6	—	-
Towry Law & Co				
57 High St, Windsor, SL4 1LX 0753 868244				
Albany Life	116.8	122.9	+0.7	-
Clerical & Medical Lfe	128.4	135.2	+2.0	-
Guardian Royal Exch	105.8	111.4	+0.9	-
M & G Ass (Life)	126.3	132.7	—	-
M & G Ass (Pens)	147.7	155.2	—	-

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital House Fund Mgrs — Contd.						
International Bond	5	$1.544	1.544	1.628	[illegible]	-
Currencies						
£ Sterling	0	£22.68	22.68		+3.02	14.72
US$	0	$18.12	19.12		-0.03	7.42
Japanese Yen	0	Y3.464	3.464		+2	5.98
D Marks	0	[illegible]	55.64		+0.03	7.46
Swiss Francs	0	[illegible]	48.85		+0.03	7.97
Fr Francs	0	[illegible]	214.5		+0.2	9.23
Ecu's	0	[illegible]	25.68		+0.02	9.81
Managed						
Intl Portfolio	5	$1.659	1.678	1.781	[illegible]	-
Managed Currency	5	[illegible]	1.764	1.857	-0.01	-

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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Ivory & Sime (Luxembourg) SA
13 rue Goethe L-1637 Luxembourg 010 352 4046461

Atlas Fund

		Bid Price	Offer Price	+ or -	Yield Gross
Global Cap Portfolio	$	2.406	2.553	[illegible]	0.25
United States Portfolio	$	2.439	2.587	[illegible]	0.55
United Kingdom Portfolio	£	1.095	1.162	[illegible]	1.10
Cont Europe Portfolio	DM	4.428	4.694	[illegible]	0.45
European Portfolio	$	1.092	1.157		-
Japan Portfolio	$	0.806	0.854	[illegible]	-
Pacific Portfolio	$	2.667	2.827	[illegible]	1.00
Gold Portfolio	$	2.284	2.422	[illegible]	0.35
UK Growth & Income	£	1.170	1.242	[illegible]	1.50
Sterling Gilt Portfolio	£	0.915	0.969	[illegible]	5.00
Global Bond Portfolio	$	1.886	1.999	[illegible]	3.50
Dollar Portfolio	$	2.058	2.059	[illegible]	7.50
Yen Portfolio	$	0.922	0.923	[illegible]	2.20
Sterling Portfolio	£	1.034	1.035	[illegible]	6.40

Midland International Circuit Fund SICAV
Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 37788

		Bid Price	Offer Price	+ or -	Yield Gross
UK Growth	£	1.012	1.074	[illegible]	-
European Growth	£	1.070	1.135	[illegible]	-
Japan Growth	£	1.009	1.070	[illegible]	-
Pacific Growth	£	1.008	1.070	[illegible]	-
Nth American Growth	£	1.028	1.091	[illegible]	-
UK Fixed Interest	£	1.009	1.070	[illegible]	-
Multicurrency Bond	£	1.009	1.071	[illegible]	-
UK Stg Liquidity	£	1.010	1.071	[illegible]	-
US$ Liquidity	£	1.046	1.109	[illegible]	-

Morgan Grenfell UT Mgrs/Deutsche Bank
Representative for UK, Luxembourg
20 Finsbury Circus, EC2M 2UT 01-826 0826

		Bid Price	Offer Price	+ or -	Yield Gross
Eurorenta	DM	78.72	81.10	+0.2	-
DM Reserve	DM	114.66	115.90	+0.1	-
Dollarrenta	$	48.29	49.80	+0.1	-

Nomura Global Fund
UK dealing agent National Inv Group plc, Holland Hse, 1/4 Bury Street, London EC3A 5AT 01-283 0050

	Bid Price	Offer Price	+ or -	Yield Gross
Asia Pacific P'folio	$9.46		-	-

Royal Trust Asiatrafx Fund
41 Avenue de la Gare L-2611, Luxembourg 352 409 061

Equity Funds

		Bid Price	+ or -	Yield Gross
Alpha UK	£	1.21	+0.01	0
Alpha US	$	1.57	-0.01	0.00
Alpha Worldwide	SFr	4.95	+0.17	0.00
Alpha Japanese	Y	964	+29	0.00
Alpha Pacific Rim	$	1.37	-0.02	0.00
Alpha European	Ecu	1.26	+0.01	0.00
Gold Shares	$	1.12	[illegible]	0.00

Nikko Capital Mngt (Europe) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Index Fund	Y3,322	3,354	-	-
New Generation Fd $	$20.36	20.57	-	-
Japan Index Alpha	Y11,400	11,522	-	-
Jap Sector Rotation	Y8,529	8,680	-	-

Strongheld Asset Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Tech and Comm	$13.81	14.65	-	-
Pacific Basin Fd	$110.66	117.64	-	-
Western European	$18.69	19.90	-	-

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Defender	$1.26	1.33	-	-
Hi Yield Bond	63.7	67.0		13.90
Internat. Spec. Sits	51.3	55.7	+0.4	-
Marunouchi Fd	81.6	85.8	+2.9	-

U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Short Term Shares	$698.73		-	-
Fixed Income Shares	$804.50		-	-

Wellington Fd Mngrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intnl Growth Fd	$13.41	14.06	-	-

Yamaichi Capital Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Mela Growth	$11.53		+0.3	-
Yamaichi ESS Fund	$8.53		+0.31	-
Yamaichi CB Plus Fund	$8.35		+0.13	-
Thai Jay Fund	$11.46		-	-

JERSEY (**)

Allied Irish Fund Managers (CI) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Currency Fd	£14.4184		-	-
Managed Currency Fd	$38.7159		-	-
Do Sterling Equivalent	£21.1567		-	-
Ecu	Ecu12.7079		-	-
Irish Gilt Fd	I£186.9004		-	-
Intl Managed Dollar	$25.4634		-	-
Intl Managed Bond	£21.1109		-	-

Barclays Intl Funds

Currency Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling	£17.49		+0.01	13.8
US Dollar	$20.54		+0.03	7.9
Deutschemark	DM49.97		+0.03	4.7
Yen	Y3,644		+2	5.0
Managed Multicurrency	£12.81	13.27	+0.05	-
Managed Multicurrency	$23.30	24.13	+0.02	-

Bond Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Bond	£0.371	0.385	+0.001	11.8

Nomura Prudential Fd Pt II

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Mar 26	$12.16		+0.14	-

Nomura Prudential Global Portfolio

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Mar 26	$13.55		+0.12	-

Nomura Rosenberg Alpha Fund Mark II

	Bid Price	Offer Price	+ or -	Yield Gross
Portfolio A: NAV	$13.14		-	-
Portfolio B: NAV	$10.19		-	-

North Star Fund Managers (Cayman) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Invest Fund	DKr257.0	258.0	-	-
Low Risk Fund	DKr200.0	201.0	-	-
High Perf Fund	DKr236.0	237.0	-	-

Tudor BVI Futures Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NAV March 22	$6204.02		-	-

Tyndall International (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
American Special Sits	$44.98	47.24	+0.45	-
Capital Protection Mar 23	$10.32	10.83	-	-
Commodity Mar 23	$25.57	26.84	-	-
Eurobond	$27.44	28.82	+0.07	-
Money Mar 23	$34.32	36.04	+0.01	6.85
Mortgage Mar 23	C$13.67	14.35	-	-
North American	$37.81	39.71	+0.10	-
Overseas	$28.29	29.71	-0.13	-
Pacific Gold	$4.62	4.86	-0.24	-

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

DUBLIN (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling improves as yen falls

STERLING WAS firm yesterday, on reports of buying from the Middle East, while the yen weakened, after talks between Mr Nicholas Brady, US Treasury Secretary, and Mr Ryutaro Hashimoto, Japanese Finance Minister, failed to provide any specific moves to support the Japanese currency.

There was speculation that the rise of sterling and a fall in the price of gold could have been connected. Significant selling of the metal was reported from the Middle East and this was followed by demand for the pound from the same area.

Dealers also noted that although Mr John Major, the UK Chancellor, encouraged hopes of lower UK interest rates next year the pound is likely to remain supported by high interest rates for a relatively long time.

Sterling finished in London 95 points higher against the dollar at $1.7150. The pound also climbed to DM2.7675 from DM2.7450; to Y252.25 from Y246.75; to SFr2.4675 from SFr2.4350; and to FFr9.3175 from FFr9.2450. Its index rose 0.7 to 88.8.

Fear of central bank intervention failed to prevent the dollar rising to its highest level against the yen for over 3 years. Tokyo interest rates are still too low to attract funds into the yen, even after the recent increase in the Bank of Japan's discount rate, and there is no sign that the Group of Seven is prepared to act in concert to support the Japanese unit.

The Bank of Japan sold about $600m to $700m, but dealers merely regarded this as a good opportunity to buy dollars. The US currency closed at Y156.40 in the Far East and touched a peak of Y156.50 in Europe, the highest level since January 1987, before closing at Y156.35 in London against Y153.85 on Friday.

Weakness of the yen was one of the main factors pushing the dollar higher in general. There were no US economic figures to move the dollar, but it advanced in terms of the D-Mark and most European currencies, apart from sterling. Demand for the dollar may also have been boosted by the move out of gold and continuing tension in the Soviet Union involving Lithuania.

At the London close the dollar had advanced to DM1.7150 from DM1.7105; to SFr1.5290 from SFr1.5175; and to FFr5.7725 from FFr5.7625. The dollar's index rose to 69.0 from 68.6.

The D-Mark continued to weaken in the European Monetary System, losing ground to the Italian lira and French franc. The Bank of Italy bought D-Marks and ECU's against the lira at the Milan fixing. In Paris the D-Mark was fixed at its lowest level against the franc for 20 months, following recent encouraging French economic news and fears that German monetary union will lead to higher inflation in West Germany. At the London close the D-Mark had fallen to L735.25 from L735.75 against the lira and to FFr3.3660 from FFr3.3690 in terms of the franc.

EURO-CURRENCY INTEREST RATES

Mar 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14 13/16-14 11/16	14 13/16-14 11/16	15 1/16-15	15 1/4-15 1/8	15 3/8-15 1/4	15 1/2-15 3/8
US Dollar	8 1/4-8 1/8	8 1/4-8 1/8	8 3/8-8 1/4	8 1/2-8 3/8	8 11/16-8 9/16	8 15/16-8 13/16
Can. Dollar	12 3/4-12 1/2	12 7/8-12 5/8	13-12 3/4	13 1/8-12 7/8	13 1/16-12 13/16	13 1/8-12 7/8
D. Guilder	8 1/16-7 15/16	8 1/16-7 15/16	8 3/8-8 1/4	8 1/2-8 3/8	8 13/16-8 11/16	9 1/16-8 15/16
Sw. Franc	9-8 3/4	9 1/2-9 1/4	9 1/16-8 15/16	9 1/16-8 15/16	9 1/4-9	9 1/4-9
Deutschmark	7 3/4-7 5/8	7 7/8-7 3/4	7 15/16-7 13/16	8 3/16-8 1/16	8 9/16-8 7/16	9-8 7/8
Fr. Franc	10 5/16-10 3/16	10 1/4-10 1/8	10 3/8-10 1/4	10 1/2-10 3/8	10 5/8-10 1/2	10 7/8-10 3/4
Italian Lira	13-11	13-12	12 3/4-12 1/4	12 3/4-12 1/4	12 7/8-12 1/2	13 1/4-13
Belgian Franc	10 1/4-10 1/8	10 3/8-10 5/16	10 1/2-10 3/8	10 1/2-10 3/8	10 3/4-10 5/8	10 7/8-10 3/4
Yen	6 7/8-6 3/4	8 1/16-7 15/16	7 3/4-7 5/8	7 7/8-7 3/4	7 15/16-7 13/16	7 15/16-7 13/16
D.Krone	12 1/8-11 13/16	12-11 3/4	12-11 3/4	12-11 13/16	12-11 3/4	12 1/4-11 7/8
Asian $Sing	8 3/8-8 1/4	8 3/8-8 1/4	8 1/2-8 3/8	8 1/2-8 3/8	8 5/8-8 1/2	8 13/16-8 11/16

Long term Eurodollars: two years 9 1/8-9 per cent; three years 9 1/4-9 1/8 per cent; four years 9 3/8-9 1/4 per cent; five years 9 1/2-9 3/8 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Mar.26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5965 - 1.6165	1.6135 - 1.6145	0.94-0.92cpm	6.91	2.62-2.59pm	6.46
Canada	1.8800 - 1.9010	1.8975 - 1.8985	0.32-0.24cpm	1.77	0.90-0.77pm	1.76
Netherlands	3.08 1/4 - 3.12	3.11 - 3.12	1 5/8-1 1/2cpm	6.02	4 7/8-4 5/8pm	6.18
Belgium	56.90 - 57.45	57.35 - 57.45	26-23cpm	5.12	70-64pm	4.74
Denmark	10.49 - 10.55 1/4	10.53 - 10.54	3 3/8-3 1/4orepm	3.70	9 3/8-8 7/8pm	3.46
Ireland	1.0305 - 1.0375	1.0345 - 1.0355	0.35-0.30ppm	3.77	0.65-0.55pm	2.32
W. Germany	2.74 1/2 - 2.77	2.76 1/2 - 2.77	1 3/4-1 5/8pfpm	7.32	4 3/4-4 5/8pm	6.78
Portugal	242.45 - 244.55	243.50 - 244.50	6-10cdis	-0.39	94-120dis	-1.75
Spain	175.55 - 177.00	176.45 - 176.75	35-25cpm	2.04	59-40pm	1.12
Italy	2020 1/2 - 2036 1/4	2034 1/2 - 2035 1/2	5-4lirepm	2.31	14-12pm	2.23
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Mar.26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar 26	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Mar.26	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

£ IN NEW YORK

Mar.26	Latest	Previous Close
[illegible]	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.26	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Mar.26	Bank rate %	Special* Drawing Rights	European † Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Mar.26	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Mar.26	£	$
[illegible]	[illegible]	[illegible]

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Open int. 146,084 [illegible] 29,807 1,500 155,570 11,501 1,350

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
June	89.43	89.41	-	89.49	89.38	10.59	15,236
September	89.38	89.35	+0.01	89.44	89.35	10.65	4,778
December	89.34	89.28	-0.01	89.37	89.28	10.71	2,559
March	-	-	-	-	-	-	-

Estimated volume 7,072 Total Open interest 22,573

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
March	1958.0	1966.5	+23.5	1970.0	1955.0	4,920
April	1962.0	1969.0	+24.0	1974.0	1960.0	2,580
May	1964.0	1970.0	+23.5	1970.0	1964.0	189
June	-	-	-	-	-	37

Estimated volume 4,631 Total Open interest 7,726

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co.	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Hydrofit Mortgage Bank	15 1/2
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15 1/2	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15 1/2	Roxburghe G'rantee	15 1/2
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16 1/2	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptrs.	15 1/2	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15 1/2	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates lower

THE MOOD on the London money market was calmer yesterday, after the UK Chancellor told Sunday BBC television viewers that he hoped interest rates could be cut early next year. An improvement by sterling on the foreign exchanges also helped sentiment, after nerves had become rather frayed by political worries last week, resulting in the Bank of England refusing to accept any bids for 91-day bills at Friday's Treasury bill tender.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England's reaction at the tender - to upward pressure on interest rates - was regarded as a signal that there was no need for higher rates at present, and the market responded yesterday, with a fall in three-month interbank to 15 1/8-15 1/4 per cent from 15 1/4-15 3/8. One-year money fell to 15 1/16-15 1/8 per cent from 15 1/4-15 3/8.

Short-sterling futures on Liffe were much firmer. June delivery opened higher at 84.72. This was nearly the day's low, with the contract touching a peak of 84.88, before closing at 84.86, against 84.64 on Friday. Last Wednesday short sterling touched a record low of 84.49.

The supply of day-to-day credit was more comfortable yesterday, after some large shortages last week. The Bank of England forecast a shortage of £100m, but did not operate in the market.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £844m. This outweighed Exchequer transactions adding £125m to liquidity, a fall in the note circulation of £535m, and bank balances above target of £85m.

In Frankfurt call money rose to 7.45 per cent from 7.40, on signs of slight concern about a fall in reserve holdings at the Bundesbank. The central bank has set a provisional average reserve requirement for March of DM59bn. The average for the first 22 days of the month was DM62.4bn, but on Thursday holdings fell DM54.1bn from DM61.8bn on Wednesday. No securities repurchase agreement tender is scheduled for this week, although dealers said the Bundesbank could find other ways of adding liquidity if required.

In Paris the Bank of France left its money market intervention rate at 10 per cent, when supplying funds at a securities repurchase tender. Dealers said the risk of higher rates in West Germany is preventing lower French rates, despite a strong franc and Friday's cut in Belgian and Danish rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.26) 3 months US dollars | 6 months US Dollars

bid 8 1/4	offer 8 3/8	bid 8 1/2	offer 8 5/8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

[illegible]	[illegible]	[illegible]	[illegible]

Mar.26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Mar 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 14 1/2 per cent; three months 14 1/2 per cent; Bank Bills (sell); one-month 14 13/16 per cent; three months 14 13/16 per cent [illegible]

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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5pm Prices. Change from previous 9pm close

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COMPANY NOTICES

PORTUGUESE GOVERNMENT 3% EXTERNAL DEBT 1902

In accordance with the law of the 14th May 1902 and the Decree of the 9th August of the same year the Sinking Fund Instalments due 1st January 1990 have been effected by the Junta do Credito Publico in Lisbon as follows:-

1ST SERIES BONDS

Purchases in the market consisted of 4 bonds of £20.00 and 1 bond of £100.00 totalling £180.00. The balance of the instalment was made up by the drawing in Lisbon of 1550 bonds of £20.00 each and 290 bonds of £100.00 each, having a total value of £60,000.00.

2ND SERIES BONDS

Purchases in the market consisted of 21 bonds of £19.90 totalling £417.90. The balance of the instalment was made up by the drawing of 275 bonds of £19.90 and 5 bonds of £99.50 each, having a total nominal value of £5,970.00. In accordance with the terms of the General Bond, bonds of this series are repayable at a premium of 25% of their face value.

3RD SERIES BONDS

The instalment has been met by the drawing of 750 bonds of £19.90 each and 172 bonds of £99.50 each having a total value of £32,039.00 together with an equal number of non interest bearing bonds.

The afore-mentioned drawn bonds are repayable from 1st January 1990 to 31 July 1995 and those stamped by the Portuguese Financial Delegate for payment in sterling may be presented for repayment at the Securities Department Counter of BARING BROTHERS & CO., Limited, Broadgate Branch, 155 Bishopsgate, London EC2M 3XY, where lists of the numbers of the bonds and lodgement listing forms for the drawn bonds may be obtained.

LEGAL NOTICE

INSOLVENCY ACT 1986 SECTIONS 392 & 393
AUTHORISATION OF INSOLVENCY PRACTITIONERS

TAKE NOTE THAT I, William Clive Swindell of City Square House, 7 Wellington Street, Leeds LS1 4DW, intend to apply to the Secretary of State under the provisions of the above Act for authorisation to act as an Insolvency Practitioner.

Any person having reason to believe that such authorisation should not be granted should, within 28 days of publication of this notice, communicate such reason to the Department of Trade and Industry, Bridge Place, 88-89 Eccleston Square, London SW1V 1PT.

ITALY

The Financial Times proposes to publish a Survey on the above on

17th April 1990

For a full editorial synopsis and advertisement details, please contact:

Henry Krzymuski on 01-873 3699 or Lindsay Sheppard on 01-873 3225

or write to them at: Number One, Southwark Bridge London SE1 9HL.

or contact in Italy:

Dr. Daniele Blei Studio Blei S.p.a. Via degli Arcimboldi 5 20123 Milano, Italy Tel: 890 0318, Fax: 877 806, Telex: 334186

ART GALLERIES

MARLBOROUGH 6 Albemarle Street, London W1 AVIDGOR ARIKHA 14 March -14 April 1990 Mon-Fri 10-5.30 Sat 10-12.30 Tel: 01-629 5161

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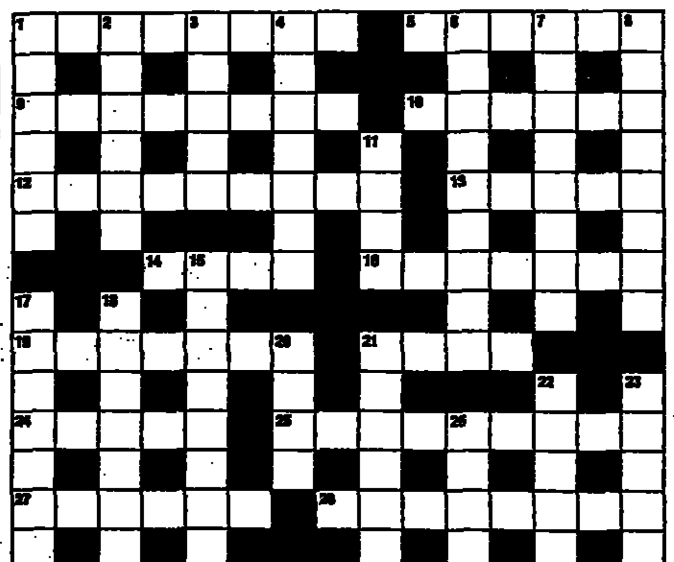
JOTTER PAD

CROSSWORD

No.7,199 Set by CINEPHILE



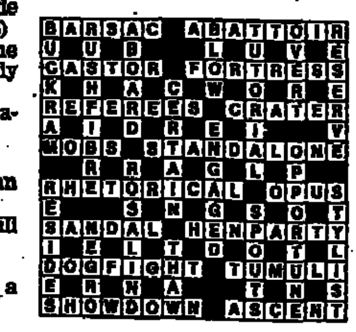
ACROSS

1 Amount to be surveyed? (8)
5 Great leader covering performers (3,3)
9 Teach at home and walk proudly without cycle (8)
10 County accepts a student of Arthurian legend (6)
12 Comic lover gives Welsh castle success, one might say (9)
13 Partner from Europe? (5)
14 Greeting from heaven (4)
16 Pay court to retiring girl that's sheepish as it were (7)
19 Sound from heaven (unfinished article below) (7)
21 Failed to meet (as they say) due to poor visibility (4)
24 Understand exactly what goes to the bottom (5)
25 Unknown person is pitied, being damaged by unproved assertion (4,5)
27 Prince born during warning period (6)
28 Remove without a struggle from the state of Dover (8)
29 It's out of order for the Queen to talk bombastically (6)
30 Model disturbs subterranean food (8)

DOWN

1 Fast not finished – man wants food (6)
2 Classify a lot of Scottish hill climbing (6)
3 Short work of trees (5)
4 Touchy, possibly – after a short time, it's true (7)
6 Among old sixpenny bills such distinctions are unfair (9)
7 Peach of a job for narrator? (8)
8 Inclination to write vocal music (8)
11 Dope from heaven (4)
15 Star to exclude in Ayckbourn's name (9)
17 Strike some opposition in the theatre (8)
18 Copper to obstruct with something to frame (8)
20 Sun not shining from heaven (4)
21 Provide us with reams of rubber (7)
22 Ford of learning with follower in the soup? (6)
23 Capital solution, including article (6)
26 Little man helps to get world war finished (5)

Solution to Puzzle No.7,198



WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO

2pm prices March 26

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
600	Carena	$22⅛	22⅛	22⅛	− ⅛
1500	Cascades	440	440	440	
2888	Celanese	$29⅛	29	29⅛	+ ⅛
1000	Cen Capital	$10⅛	10	10⅛	+ ⅛
9400	CanCap A	$9	8⅞	9	
10100	CentFd A	$6⅞	6	6	− ⅞
7708	C Guar Tru	$9⅛	9⅛	9⅛	+ ⅛
102500	Horsham f	$10½	10	10¼	− ⅛
300	H BayMn s	$7½	7½	7½	− ⅛
4502	H Bay Co	$30½	30¼	30½	+ ¼
43000	Imasco L	$36⅛	36	36	+ ⅛
47747	Imp Oil A	$62⅞	62	62	− ⅞
104148	Inco	$30⅞	30⅛	30⅛	− ½
3400	Innopac	$6⅞	6⅛	6⅛	− ⅛

[illegible]

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INDICES

NEW YORK

DOW JONES	Mar 23	Mar 22	Mar 21	Mar 20	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2704.28	2695.72	2727.93	2738.74	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.63	90.64	90.52	90.43	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1170.87	1158.78	1171.94	1179.05	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.72	212.90	214.98	215.79	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2722.75 (2734.01) Low 2688.06 (2674.32)

STANDARD AND POOR'S

	Mar 23	Mar 22	Mar 21	Mar 20	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	337.22	335.69	339.74	341.57	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	391.34	389.56	394.23	396.45	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.85	27.68	28.16	28.35	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	185.45	184.70	186.82	187.71	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	361.61	360.48	363.15	365.42	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	437.25	434.51	439.30	440.08	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 16	Mar 9	Mar 2	year ago (approx.)
Dow Industrial Div. Yield	4.08	4.08	4.26	3.70

	Mar 21	Mar 14	Mar 7	year ago (approx.)
S & P Industrial div. yield	3.05	3.09	3.09	3.13
S & P Ind. P/E ratio	14.97	14.80	14.74	13.17

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
A T & T	7,272,800	41⅛	+ ⅛
Philip Morris	1,435,500	39⅝	+ ⅝
Beverly Ent.	1,404,000	4⅞	+ ⅛
Perkin Elmer	1,290,200	23⅞	− ⅛
Am. Express	1,275,500	27	+ ⅛
Waste Mngmt.	1,258,800	33½	—
Western Union	1,173,500	3	+ ⅛
IBM	1,148,300	105	− 1⅛
Ames Dept.	1,114,900	4⅞	—
LTV Corp.	1,064,800	[illegible]	[illegible]

TRADING ACTIVITY

† Volume	Millions Mar 23	Mar 22	Mar 21
New York	132.070	178.376	130.990
Amex	11.495	12.690	12.162
NASDAQ	130.737	146.217	131.083
Issues Traded	1,963	1,962	1,956
Rises	872	358	588
Falls	561	1,194	873
Unchanged	530	410	495
New Highs	19	10	20
New Lows	37	76	47

CANADA

TORONTO	Mar 26	Mar 23	Mar 22	Mar 21	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3178.20	3176.70	3226.84	3252.39	3929.2 (1/9/89)	2921.03 (23/2/90)
Composite	3701.50	3705.00	3735.84	3744.60	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1903.29	1902.28	1923.58	1929.86	2069.60 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 26	Mar 23	Mar 22	Mar 21	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
[illegible]						
THAILAND						
Bangkok SET (30/4/75)	828.00	803.13	796.50	792.19	928.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	484.9	478.6	488.6	571.0 (4/1/90)	487.6 (13/4/89)

**Saturday Mar. 24: Taiwan Weighted Price: 10500.79 Korea Comp Ex. 837.40

& Subject to official recalculation.

δBase values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday March 26 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	15.9m	599	+44	NEC	8.3m	1,950	+40
Hitachi	15.8m	1,540	+80	MHI	7.9m	869	+54
Toshiba	11.2m	1,080	+72	Chiyoda Corp	7.5m	2,400	+150
NKK	10.0m	548	+26	Meiko	6.0m	905	+55
Kawasaki Steel	9.8m	559	+14	Nomura Securs	5.9m	2,320	+160

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

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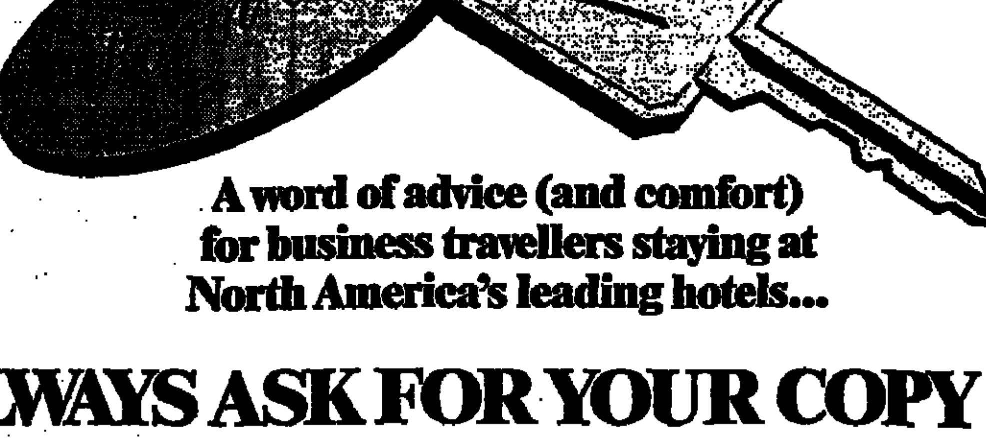
. . . **GOTHENBURG**
at the Hotel Gothia, Park Avenue, Sheraton

. . . **MALMÖ**
at the Garden Hotel

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER



A word of advice (and comfort) for business travellers staying at North America's leading hotels...

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3pm prices March 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	26	AAR	.48	1.6	18	200	29⅞	29½	29⅞	+ ⅛
9¼	8½	ACM n	1.01	12.		124	8¼	8½	8½	– ⅛
11⅞	10½	ACMIn	1.26	12.		269	11	10⅞	10⅞	
9⅞	7¼	ACM M	n1.01	13.		340	7⅞	7⅞	7⅞	+ ⅛
12¼	11⅞	ACMMM				50	11⅞	11⅞	11⅞	
11½	10	ACM Sc	1.26	12.		x1146	10⅞	10⅞	10⅞	– ⅛
9⅞	8¼	ACMSp	1.01	11		271	8⅞	8¾	8⅞	
22¾	13	AL Lab	.16	.7	21	400	u22½	22	22½	+ ½
6⅛	3	AM Intl			10	175	3⅛	3	3	
23½	16⅞	AM In pf	2	12.		6	16⅞	16¾	16⅞	+ ⅛
107¼	62½	AMR			9	2046	66	65⅞	65⅞	+ ⅞
5⅛	3¼	ARX				32	3⅝	3½	3⅝	+ ⅛
72⅞	39	ASA	3a	5.8		1979	52⅛	50⅝	51⅞	– 2¼
70¾	61¾	AbtLab	1.68	2.6	17	1123	64½	63⅞	64⅛	+ ⅛
17¼	11⅛	AbitiBi g	.50			20	13⅞	13⅛	13⅛	– ⅛
13	8⅞	AcmeC	.40	4.1	11	3	10	9⅞	9⅞	– ⅛
9¼	7	AcmeE	.32	3.6	11	2	8⅞	8⅞	8⅞	
36½	27⅞	Acuson			22	44	35⅛	35	35⅛	– ⅛
16½	12⅞	AdaEx	2.08e	13.		52	15⅞	15⅞	15⅞	– ⅛
16⅞	7⅞	Adobe				24	12⅞	12¾	12¾	– ⅛
21⅝	19⅞	Adob pf	2.40	11.		3	21½	21½	21½	+ ⅛
10½	8⅞	AMD			22	2766	10	9⅞	9⅞	
35	29¼	AMD pf	3	9.7		12	31⅛	30¾	31	– ⅛
10½	5	Advest	.16	2.7	8	57	5⅞	5⅞	5⅞	+ ⅛
62½	48⅞	AetnLf	2.76	5.6	9	947	49⅞	48⅞	49	+ ½
14	9⅞	AflPb	.24	2.2		86	11	10⅞	10⅞	+ ⅛
26	16⅛	Ahmans	.88	5.1	9	837	17⅝	17⅛	17⅛	+ ⅛

Continued on Page 49

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous Page								
13½	11	QstVl	1.20a	9.1		1498	13⅛	12½	13⅛	− ⅛
14⅝	10	QstVC				207	13⅞	13⅝	13⅞	+ ⅛
39⅝	32	Questar	1.92	5.2	15	23	37¼	37	37	− ⅛
18¼	11⅞	QtRaily	.28a	2.1	11	7	13⅛	13	13⅛	
		− R − R − R −								
11⅝	9⅝	RAC In	1.20a	11.		17	10½	10⅜	10½	+ ⅛
5⅞	1⅞	RAC	.58e	17.		x82	3½	3⅛	3⅛	− ⅛
10⅝	6⅞	RLI Cp	.40	4.2	7	16	9⅝	9½	9⅝	
19¼	11¼	ROC Fd	.38e	3.2		585	11⅞	11⅝	11⅞	− ⅛
8¼	5¼	RPC			18	8	7⅛	7	7	
6½	5⅝	RPS	.81e	14.	6	120	5⅝	5½	5⅝	
85⅞	48⅞	Rexel	.28e	.4	59	229	68¼	67⅞	67⅞	+ ⅛
5⅝	2⅝	Rgtice n				8	2⅝	2⅝	2⅝	+ ⅛
101⅞	77¾	RalsPur	1.85	2.2	15	418	84⅛	83⅝	84	+ ⅛
6⅞	5⅛	RangrO	.05e	.9	24	x1107	6⅛	6¼	6⅞	+ ⅛
30¾	25½	Rayom	.32	1.1	40	105	28⅞	28⅜	28⅞	+ ⅛
19⅜	13⅞	RJamF	.24	1.3	7	35	18⅝	18⅜	18½	+ ⅛
25½	18	Rayonr	3.60	15.	6	84	24⅝	24⅝	24⅝	
2⅞	1⅜	vjRayto				60	2⅞	2⅛	2⅛	+ ⅛
65	50	Raythn	2.20	3.5	8	417	63⅞	63½	63½	+ ⅛
24⅞	21	RdrDg n				303	24½	24¼	24¼	+ ⅛
5	15-16	RdgB n				62	2⅝	2⅝	2⅝	
17	14½	REIT	1.42	9.5	10	23	15	14⅞	15	+ ⅛
12⅞	6½	RecnEq				50	6½	6½	6½	
20	12⅞	Reebok	.30	1.7	12	1404	17¾	17⅝	17⅝	+ ⅛
⅞	7-64	Regal				3	9-32	9-32	9-32	
9¾	6⅞	RegIFn	.29e	3.5		203	8½	8⅝	8⅝	
15⅝	12½	ReichTg	1.76a	13.	8	x1	14	14	14	+ ⅛
6⅞	4⅞	RelGrp	.32	5.7	18	29	5⅝	5⅝	5⅝	− ⅛
24⅞	16¼	Repsol	a.27e	1.2		299	21⅝	21½	21⅝	+ ⅛
52⅝	42¾	RepNY	1.32	2.8	11	172	136	46⅞	46⅞	+ ⅛

NASDAQ NATIONAL MARKET

3pm prices March 26

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMEX COMPOSITE PRICES

3pm prices March 26

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

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FINANCIAL TIMES

FINANCIAL TIMES
Tuesday March 27 1990

AMERICA

Tokyo's rise and strong dollar give Dow a boost

Wall Street

A STRONG rally in the Tokyo stock market and a substantial rise in the dollar against the Japanese yen helped the US equity market to make healthy gains at midsession yesterday, *writes Janet Bush in New York.*

At 1 pm, the Dow Jones Industrial Average was quoted 14.64 points higher at 2,718.69 on low volume of 71m shares. The Dow had closed 8.56 points higher at 2,704.28 on Friday.

A notable exception to the rally in the broad market was the precious metals sector, which suffered sharp falls in response to the collapse in the gold price. In Zurich, spot gold fell about 6 per cent to close at $363.50 an ounce amid rumours of heavy selling from the Middle East, South Africa and the Soviet Union. In New York, gold fell to a low of $363 an ounce before stabilising in late morning trading at about $366.

The stocks of gold mining companies fell sharply. Newmont Gold slumped $2¾ to $48¾, Homestake Mining fell $1⅛ to $17⅞ and American Barrick Resources lost $1⅞ to $17⅛.

In Tokyo, the Nikkei 225 index surged 4.8 per cent. However, the Japanese yen remained under significant pressure against the dollar, which jumped to Y156.55 at the New York midsession from an earlier low of Y155.50. The dollar's strength as well as the plunge in gold prices helped US Treasury bonds to modest gains at midsession which in turn buoyed equities.

Another factor helping stocks yesterday – and which is expected to remain a positive factor for the rest of the week – is the proximity to the end of the first quarter. Many portfolios are still heavily invested in cash and underweighted in stocks, a situation which often leads to buying of equities as the quarter comes to a close. Portfolio managers don't like to be seen to be holding a defensively low proportion of their funds in stocks when they present quarterly results to their clients.

Blue chips were generally higher. IBM added $⅞ to $105⅛, Coca-Cola added $⅞ to $75, General Motors jumped $1⅛ to $47⅛ and Philip Morris gained $⅞ to $39⅛.

Avon Products fell $⅞ to $34⅛ after reaching a settlement in its proxy fight with Chartwell Associates. Avon agreed to nominate two directors proposed by Chartwell and establish a committee to consider alternatives to maximise shareholder value.

Texas Instruments jumped $1⅞ to $37½ on a US press report which highlighted the company's strengths.

Pfizer gained $⅞ to $59⅜. The company's genetically engineered form of the enzyme used to make cheese became the first bio-engineered food ingredient to receive approval from the Food and Drug Administration.

Curtiss-Wright jumped $3 to $61⅛. The company said it had received a memorandum from a third party expressing interest in acquiring the company.

ASIA PACIFIC

Nikkei gains 4.8 per cent as buyers return

Tokyo

A STRONG recovery in buying interest took share prices sharply higher yesterday. The Nikkei average posted its second largest ever points gain to finish firmly above the 31,000 mark, *writes Michiyo Nakamoto in Tokyo.*

Extending Friday's late gains, the market rose by almost 500 points by midday, gained further strength later and closed with the Nikkei 1,468.23, or 4.8 per cent, up at the day's high of 31,840.49; the low was 30,378.16.

Broadly-based buying saw 840 issues advance, against 199 in decline and 71 unchanged. Turnover climbed to 710m shares from the 600m traded on Friday. The Topix index of all listed stocks soared 106.64 to 2,313.63 and, in London, the ISE/Nikkei 50 index added 1.80 to 1,733.84.

"The market gained because it had lost too much before," said Mr Morihiko Ida at Morgan Stanley Investment Advisory Co, terming the rise a technical rebound. The recent plunge had taken a broad range of issues to bargain levels. A careful look, particularly at the charts of specific issues, showed many to be underpriced. "We have all studied these charts over the weekend," said Mr Ida, "and we decided that many issues were cheaper than they should be."

Yesterday's strong recovery in buying interest was initially triggered by a major foreign broker buying stocks in arbitrage with the index futures. Later, buying by investment trust funds sparked further investor enthusiasm.

Mr Ida also thought that last week's agreement between the Ministry of Finance and Japan's big four brokers – to ease a ministry guideline which restricts any one broker from trading in more than 30 per cent of an issue – helped trading to take off yesterday.

The rally came in spite of a further setback for the yen.

The rebound was spearheaded by big companies, which were the heaviest losers in the recent collapse. The index of heavily capitalised stocks rose 5.4 per cent against a 3.3 per cent increase in medium-sized issues and a 1.7 per cent gain in small companies.

Nippon Steel topped the actives list with 15.9m shares and rose Y44 to Y899. NKK and Kawasaki Steel also rebounded strongly, rising in active trading by Y28 to Y548, and Y14 to Y589, respectively. Investors were also keen on electricals, which could gain from a strong dollar. Hitachi was second in volume with 15.8m shares and firmed Y80 to Y1,540.

Issues with strong earnings profiles in Osaka helped the OSE average rise 977.44 to 32,475.09. Volume fell to 317m shares from the record 573m.

Roundup

INTERNATIONAL developments influenced both rises and falls in the Pacific Basin yesterday and helped the Hong Kong rally to continue.

HONG KONG broke through the key 3000 level on the Hang Seng index for the first time in 10 months, rising 39.86, or 1.3 per cent, to 3,014.02, its fifth consecutive gain and its best finish since May 23, 1989.

Turnover swelled to HK$1.73bn from HK$1.66bn, the heaviest since February 20. Foreign institutions from Japan, the US and Europe, as well as Taiwanese hot money and local individual traders, were all chasing selected blue chips, as Tokyo's recovery gave Hong Kong the excuse for the breakthrough.

SINGAPORE hit a new high as the Straits Times Industrial index rose 18.66 to 1,604.05, and turnover recovered from S$85m to S$128.5m.

AUSTRALIA closed barely steady in thin trading as the lack of a clear result in Saturday's national elections kept many investors on the sidelines. Tokyo's recovery brought share prices off their lows which followed a slump in the gold price. The All Ordinaries index was off 0.3 at 1,567.1, above its low of 1,557.3.

Turnover fell to 69m shares valued at A$122m, down from 93m at A$160m on Friday.

NEW ZEALAND was clouded by Australia's uncertainty and closed easier in extremely thin trading. The Barclays index lost 4.70 to 1,712.76 and turnover dropped to 2.8m shares worth NZ$4.1m from Friday's 5.1m shares worth NZ$7.8m.

Among individual stocks, Goodman Fielder Wattie dropped 2 cents to NZ$2.12 before announcing a 71 per cent fall in first half profits.

TAIWAN's weighted index recovered 245.22 to 10,546.01 after a fall of 327.50 last Saturday and a drop of more than 1,200 last week. Volume improved marginally to 635m shares and NT$95.3bn from 629m and NT$92.8bn.

SEOUL fell for the fifth consecutive session on growing doubts about whether the recently appointed economics ministers could come up with a workable formula to bring about a speedy economic recovery. The composite index fell 3.31 to 834.54.

Japanese retrenchment takes a bigger toll

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in DM †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+0.58	+8.07	+136.87	+55.02	+54.27	+53.51
Belgium	+1.49	+11.00	+1.11	-6.25	-5.39	-5.86
Denmark	-1.06	+4.36	+35.53	+4.34	+5.58	+5.05
Finland	+0.80	-2.22	-8.69	-8.52	-7.47	-6.94
France	-1.04	+6.76	+18.60	-4.15	-3.29	-3.77
W. Germany	+2.04	+8.44	+46.42	+8.74	+8.06	+7.54
Ireland	-1.10	+1.22	+19.08	+1.34	+2.21	+1.80
Italy	-0.81	+3.71	+7.08	-4.46	-3.24	-3.72
Netherlands	-0.88	+5.76	+7.82	-4.17	-4.39	-4.86
Norway	-3.12	+4.80	+34.62	+18.70	+19.11	+18.52
Spain	-4.76	-5.76	-11.28	-15.29	-14.95	-15.37
Sweden	-0.03	-1.32	+9.10	-8.20	-7.25	-7.72
Switzerland	-2.84	-1.86	+11.77	-6.05	-4.04	-4.52
UK	+0.58	+1.16	+7.61	-6.06	-6.06	-6.52
EUROPE	-0.03	+3.81	+14.44	-2.81	-2.61	-3.08
Australia	-0.59	+1.67	+9.47	-4.18	-8.91	-9.36
Hong Kong	+3.39	+4.27	-5.08	+4.67	+5.08	+4.57
Japan	-8.36	-10.96	-11.90	-25.59	-30.10	-30.45
Malaysia	-0.88	+1.18	+42.21	+2.21	+1.84	+1.33
New Zealand	-5.07	-0.86	-9.02	-14.01	-15.74	-16.16
Singapore	+0.59	+4.84	+28.13	+6.22	+9.96	+9.41
Canada	-1.68	+1.27	+4.88	-5.48	-6.34	-6.80
USA	-1.28	+2.47	+15.84	-4.70	-4.23	-4.70
Mexico	-0.39	+1.56	+166.63	+22.24	+19.28	+18.86
South Africa	-2.64	+9.90	+33.37	+11.78	+4.39	+3.88
WORLD INDEX	-3.48	-2.27	+3.91	-12.55	-14.58	-14.98

† Based on March 23rd 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By Jacqueline Moore

TOKYO'S RAPID descent was the outstanding feature in the world again last week, but other markets, although a little more edgy than before, still refused to panic. The US, which had tried hard to ignore Japan, finally succumbed; but it lost only 1.3 per cent compared with Japan's 8.4 per cent plunge.

West Germany and the UK demonstrated some independence from Japanese concerns: both ended higher, and both had political interests to distract them – West Germany concentrating on its eastern neighbour's elections, and the UK digesting a budget and a by-election defeat for the Government. The overall World Index finished 3.5 per cent lower on the week.

The continued weakness of the yen, in defiance of a rise in the official discount rate (ODR), and the falling bond market kept up the pressure on Japanese equities. "The long-awaited and fully discounted 1 per cent hike in the ODR appears to be a classic case of 'too little, too late'," says Salomon Brothers, the investment bank. Yesterday's 4.8 per cent advance by the Nikkei average was described partly as a technical reaction to the recent plunge.

By the end of last week, Japan had fallen 25.6 per cent this year in local currency terms. The next worst performer was Spain, which dropped 4.8 per cent last week, taking its decline this year to 15.3 per cent.

The Spanish depression was due mostly to the continued poor performance of the banks, worries about Tokyo and inflation fears, says Mr Stephen Hughes, investment analyst at Nikko Securities.

Most banks are now quoted on the continuous trading system, rather than the less transparent, open outcry system, but the move from the latter to the former has had a negative impact on share prices, says Mr Hughes. The increased transparency of the new system has made it more difficult for the banks, or companies friendly to them, to support their share prices. Their influence over their own share prices has also been hit by a 5 per cent limit, introduced at the start of the year, on the amount of shares they can hold in themselves.

Another reason for the banks' decline is their more aggressive, competitive stance towards each other, which could place pressure on their earnings this year, he adds.

Not all markets had a gloomy or subdued week. Hong Kong was in buoyant mood, rising 3.4 per cent in response to some good corporate results, particularly from the Jardine group of companies. In the wake of events such as the Tiananmen Square massacre in China last year, "analysts had downgraded profits forecasts emotionally rather than rationally, so now results are coming in better than expected," explains Mr David Bates of First Pacific Securities.

Elsewhere in the Asia Pacific region, New Zealand had a miserable week, falling more than 5 per cent in mostly thin turnover. Last week's government economic package, which included plans to sell Telecom, failed to stimulate the market into action.

Cautious view on Canadians

By Antonia Sharpe

THE OUTLOOK for Canadian equities is not bright, according to Deacon Barclays de Zoete Wedd, the Canadian investment arm of the UK clearing bank, because of higher inflation, a marked slowdown in economic growth, falling corporate profits and a weaker currency.

"I see little fundamental reason for the equity market to go up this year," Mr Robert Boaz, Deacon BZW's chief economist, said in London yesterday.

Deacon BZW forecasts a sharp slowdown in Canada's gross national product, to just 0.6 per cent in 1991 from a projected 1.6 per cent this year. Practically full employment, low inventories and rising unit labour costs left little scope for a drop in inflation, said Mr Boaz. He expected that Canadian inflation would reach 6 per cent in 1991 after a forecast 4.7 per cent this year, outstripping the US where inflation could fall to 4.1 per cent next year after 4.5 per cent in 1990.

Interest rates should stay high, not only to curb inflation but also to support the Canadian dollar, and to control mortgage credit growth which has risen sharply since the middle of 1989. As a result, there seems little chance of liquidity flowing out of the bond market, where 90-day Treasury Bills yield around 13 per cent, into equities.

High interest rates and the drop in natural resources prices, essentially metals and forestry products, were damaging corporate earnings and liquidity, Mr Boaz said. He forecast a drop in pre-tax corporate profits of 5 per cent in 1991 after an estimated fall of 4.3 per cent this year. "The Toronto Stock Exchange is trading on a price/earnings ratio of 15, which suggests that it is at risk for a decline."

Mr Boaz stressed Toronto's dependence on Wall Street and gold prices. He was cautious about Wall Street, as it was possible that the US Federal Reserve could tighten monetary policy, while gold was unlikely to trade much above $450 an ounce given the dollar's strength.

He said, however, that a recovery in natural resources prices by the third quarter would make metals, mining and lumber shares attractive.

GOLD SHARES across the world plunged as the higher dollar left bullion $21½ lower at $367.75 an ounce in London, a five-month low. In TORONTO, the gold and silver index opened 586 lower at 6,710; LAC Minerals fell C$⅞ to C$12⅞, Placer Dome shed C$1⅛ to C$20 and American Barrick lost C$1⅞ to C$21. The composite index opened at 3,680.8, down 20.7. In AUSTRALIA, the gold index lost 50.4 to 1,705.9, with ACM Gold falling 27 cents, or 15 per cent, to A$1.48. In JOHANNESBURG, the JSE Gold index fell 110 to 1,322 and Vaal Reefs lost R29 to R382.

EUROPE

Individual shares seize attention

INDIVIDUAL stocks seized the attention in European bourses, with, for example, Thyssen prominent in a record-breaking Frankfurt and Paribas in Paris, *writes Our Markets Staff.*

FRANKFURT edged into new high ground, the FAZ index rising 7.29 to 817.19 and the DAX gaining 7.41 to 1,939.53. Both were all-time closing highs, but the DAX was only 0.10 above its previous peak of February 5.

Thyssen was the individual feature of the day, perhaps reflecting a subdued nervousness about blue chip prices. Last Friday, leading a strong steel sector, it peaked at DM335, up 77 per cent from its 1989/90 low. Yesterday, it led the most active stocks in turnover of DM1.7bn but fell DM12 to DM323 amid analysts' arguments over prospects.

Volume rose from DM3.4bn to DM3.7bn. Thyssen was not the only blue chip to decline; Allianz fell DM40 to DM2,840 as politics interfered with its East German plans, and chemicals looked weak as Bayer reported a 3.6 per cent decline in its fourth quarter profits. Bayer slipped DM1.40 to DM308.10.

Blue chips in demand included the motor industry, Siemens and Deutsche Bank, the latter rising DM13.50 to DM822 as it acknowledged an interest in buying into the third largest bank in East Germany. But there was also a reported taste for second line, or specialty, stocks such as Schering, the pharmaceuticals group, up DM9.50 to DM874, which suggested that investors might be looking for alternative ways into the east European revival.

PARIS was dominated by Paribas, the bank and financial holding company, which saw 2.6m shares, or more than 2 per cent of its total outstanding shares, traded. There was speculation that Paribas, which failed to take over Navigation Mixte last year, would announce a restructuring and management changes at its board meeting on Thursday.

There were several block trades in Paribas, the largest being of 800,000 and 300,000 shares. The stock eased FFr2 to FFr700, after hitting FFr712, while Mixte gained FFr47 to FFr2,297. Overall turnover was estimated at FFr4.5bn, compared with Friday's FFr3bn.

The other feature was sharp declines by the gold mines, depressed by the plunging bullion price, but the CAC 40 index made a solid advance of 28.76 to 1,984.16, encouraged by the overnight advance in Tokyo and the firm start on Wall Street.

AMSTERDAM was surprised by the suspension of the country's two largest banks, Amro and ABN, and news that they were considering a merger. On Friday, ABN closed at Fl 40.10 and Amro at Fl 79.10. Tokyo's recovery and firmer domestic bond prices also led share prices higher. The CBS tendency index came off highs of 116.4 to close at 116.0, 1.3 up on the day.

MILAN was pulled up by speculative buying of Latina, the insurance company, and Montedison. Latina closed L800 higher at L15,550 on rumours that Mr Carlo de Benedetti was about to sell his controlling stake. Montedison firmed L350 to L39,150 in unusually heavy trading on talk of stake-building. The Comit index added 3.57 to 674.75 in moderate volume.

MADRID made a technical gain after last week's retreat, with the general index rising 0.58 to 257.27, but trading remained thin. Dragados, the construction company, gained Pta90 to Pta2,370 and Repsol, the oil group, added Pta65 to Pta3,345. BBV, the bank, dropped Pta1,000 to Pta5,000; it said that it would be traded on the continuous session from April 2.

BRUSSELS focused on GB-Inno, the retailer, which gained BFr16 to BFr1,248 in active trading of 42,200 shares following its results on Friday. The rest of the market was little changed in quiet trading, with the cash market index up 3.1 at 6,142.08.

COPENHAGEN edged higher, with the telephone companies recovering some of Friday's losses. JTAS added DKr85 to DKr285 and KTAS gained DKr27 to DKr215. OSLO rose in thin turnover after technical difficulties affected morning trading. The all-share index gained 5.76 to 639.31.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 26 1990						FRIDAY MARCH 23 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (83)	137.15	+0.0	125.98	122.05	+0.0	5.68	137.21	126.78	122.10	160.41	128.28	138.13
Austria (19)	274.19	-2.0	251.87	244.22	-1.5	1.09	279.69	258.44	247.93	285.63	92.84	107.94
Belgium (61)	145.11	-0.3	133.29	127.21	-0.1	4.40	145.61	134.55	127.30	160.02	125.58	129.49
Canada (120)	140.94	-0.6	129.47	119.97	-0.6	3.36	141.83	131.05	120.67	154.17	124.67	133.29
Denmark (36)	255.60	+0.4	234.79	226.92	+0.3	1.41	254.46	235.13	226.17	260.82	165.35	168.19
Finland (26)	140.70	-1.3	129.24	119.22	-1.0	2.50	142.55	131.72	120.46	159.16	118.63	144.41
France (125)	151.76	+1.1	139.40	137.41	+1.2	2.77	150.15	138.74	135.72	157.97	112.57	114.59
West Germany (96)	133.56	+0.4	122.68	119.08	+0.6	1.79	133.05	122.94	118.31	137.01	79.56	82.52
Hong Kong (48)	124.03	+1.3	113.94	124.42	+1.3	4.82	122.48	113.17	122.85	140.33	86.41	129.43
Ireland (17)	185.43	+0.3	170.33	168.41	+0.9	2.50	184.81	170.77	166.87	198.57	125.00	141.09
Italy (96)	95.22	+0.5	87.47	89.67	+0.7	2.57	94.77	87.57	89.07	102.11	74.97	80.62
Japan (455)	142.47	+3.8	130.87	140.81	+5.5	0.58	137.29	126.86	133.52	200.11	133.57	180.30
Malaysia (36)	232.46	+0.2	213.54	244.15	+0.3	2.17	232.09	214.46	243.31	245.32	143.35	161.88
Mexico (13)	381.41	-1.3	350.36	1157.22	-1.1	0.45	386.29	356.94	1170.11	409.41	153.32	167.32
Netherland (43)	138.17	+0.9	126.92	121.68	+1.2	4.59	136.89	126.49	120.27	145.66	110.63	116.37
New Zealand (17)	60.47	+0.0	55.54	55.29	-0.2	6.46	60.44	55.85	55.41	88.18	60.44	70.87
Norway (24)	239.10	+0.9	219.63	214.68	+1.1	1.58	236.87	218.87	212.35	245.90	139.92	170.09
Singapore (26)	197.12	+1.7	181.08	171.01	+1.8	1.70	193.88	179.15	167.92	199.38	124.57	147.84
South Africa (60)	194.11	-4.9	178.30	163.19	-4.0	3.62	204.15	188.64	169.99	251.39	115.35	141.41
Spain (43)	139.57	+1.1	128.21	115.78	+1.1	4.62	138.01	127.53	114.49	169.75	138.01	146.56
Sweden (35)	176.79	-0.3	162.40	161.66	+0.0	2.42	177.23	163.77	161.62	206.95	136.45	157.03
Switzerland (62)	89.18	-0.7	81.92	84.53	+0.0	2.25	89.82	83.00	84.51	99.12	67.81	74.26
United Kingdom (306)	149.96	+1.1	137.75	137.75	+0.5	4.76	148.35	137.08	137.07	164.31	133.28	146.83
USA (540)	137.03	+0.6	125.87	137.03	+0.5	3.49	136.33	125.97	136.33	146.29	112.13	118.05
Europe (989)	138.95	+0.7	127.64	125.39	+0.6	3.50	137.98	127.49	124.60	146.66	112.63	117.43
Nordic (121)	188.90	+0.1	173.52	163.59	+0.2	1.91	188.67	174.33	163.22	201.89	137.95	148.50
Pacific Basin (665)	141.59	+3.5	130.06	139.38	+5.1	0.89	136.76	126.37	132.62	194.72	133.29	176.37
Euro – Pacific (1654)	140.87	+2.4	129.41	134.29	+3.3	1.94	137.60	127.15	130.03	174.18	135.46	152.83
North America (660)	137.17	+0.4	126.00	135.94	+0.4	3.49	136.56	126.19	135.33	146.66	112.79	118.86
Europe Ex. UK (683)	130.63	+0.5	119.99	117.57	+0.7	2.71	130.02	120.15	116.73	135.73	96.30	99.26
Pacific Ex. Japan (210)	130.37	+0.5	119.75	119.49	+0.5	4.92	129.68	119.82	118.85	140.05	111.93	129.33
World Ex. US (1847)	141.53	+2.2	130.00	134.42	+3.0	2.00	138.52	128.00	130.46	173.77	136.46	152.04
World Ex. UK (2081)	137.78	+1.8	126.56	134.90	+2.3	2.27	135.55	125.25	131.82	162.00	134.02	138.06
World Ex. So. Af. (2327)	138.52	+1.7	127.24	134.94	+2.2	2.50	136.26	125.91	132.01	161.84	134.71	138.82
World Ex. Japan (1932)	138.39	+0.5	127.12	132.36	+0.5	3.55	137.74	127.27	131.75	145.52	114.51	119.03
The World Index (2387)	138.85	+1.6	127.55	135.13	+2.2	2.51	136.67	126.29	132.27	162.05	135.13	138.83

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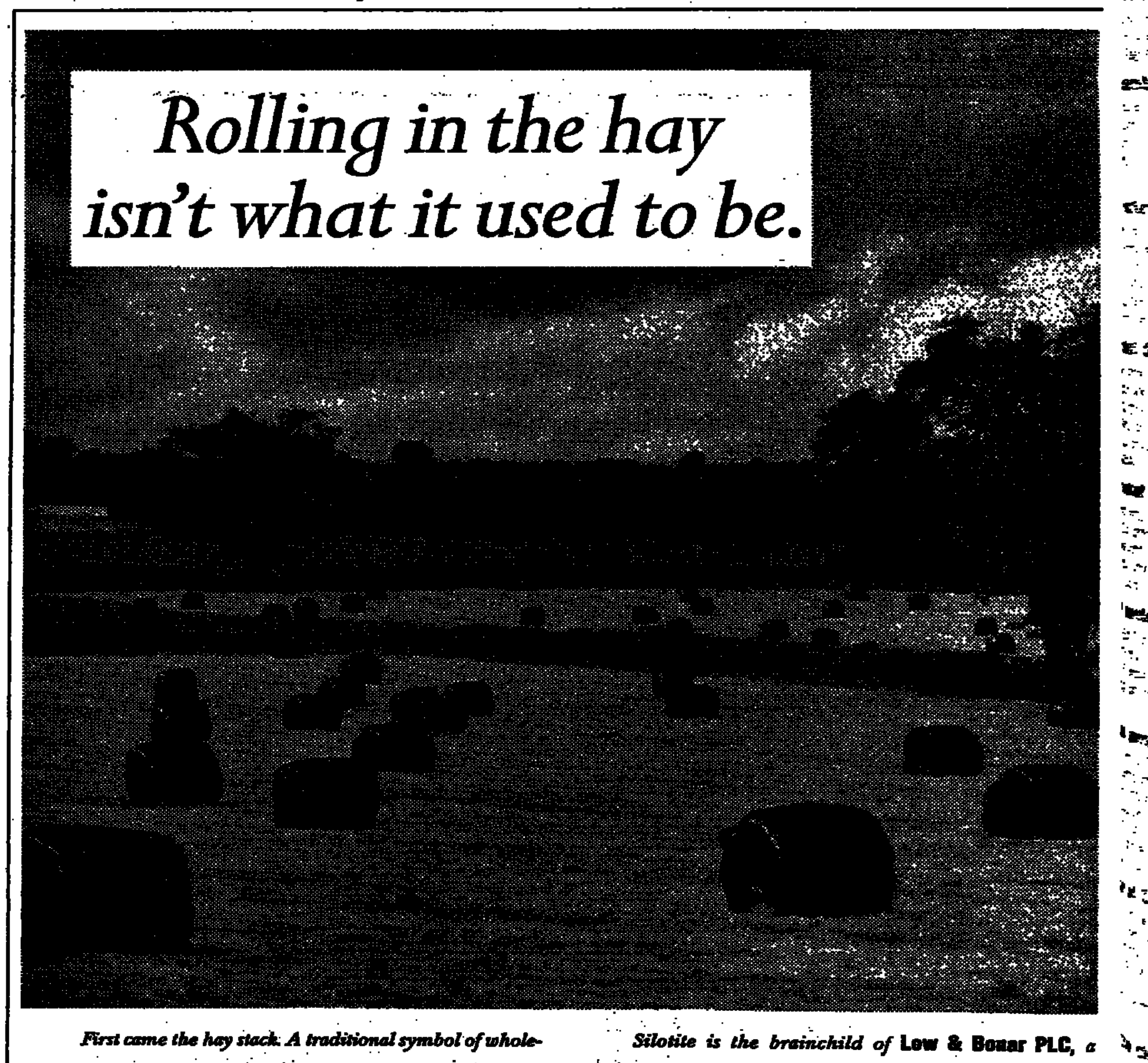
Canadian and US prices taken at 3.30 (local time).
Constituent change 26/3/90: Deletion: GPG (UK).



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